

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2011

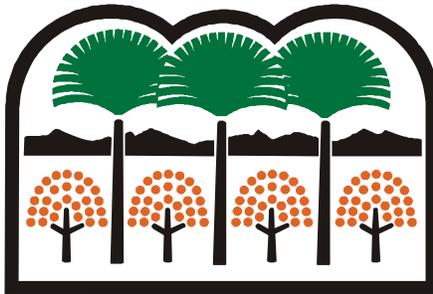


CITY OF LITCHFIELD PARK, ARIZONA

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2011

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
Kim Edwards, Administrative Assistant

City of Litchfield Park, Arizona
Comprehensive Annual Financial Report
Year Ended June 30, 2011

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Introduction to *NOTES*

City of Litchfield Park

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

February 2, 2012

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, 2011.

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, 2011, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. 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, 2011, 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 the 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 5,476 per the 2010 census. 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 and 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. After experiencing successive years of revenue reductions due to the recent economic recession, total revenues are expected to remain flat for fiscal year 2012. The City of Litchfield Park continues to see the effects of the economic recession, specifically in the absence of development in the City's vacant commercial areas. Construction activities, primarily new home building, are ongoing within the City, but at a greatly reduced pace. The most significant construction activity in the City occurred at the Wigwam, where recent extensive renovations were made to the entry, pool areas, restaurants and other public areas of the resort.

Many state and local governments in Arizona, including Litchfield Park, have begun to see slight increases in sales tax revenues over the last year. The City is cautiously optimistic that this trend will continue into the near future helping the City to grow toward its pre-recession revenue levels. The City's annual fiscal year revenue projections continue to reflect these recent economic developments.

The sustained activity in its retail centers has helped to lessen the impact of the recent recession, keeping the City fiscally stable. 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. As previously stated, the City has seen its decreasing revenues flatten out in fiscal year 2011 and is seeing a slight increase in local sales tax revenues. The City hopes this positive trend will continue into the near future. 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. Without a general property tax to fund City projects, operations, and services, growth in the existing revenue streams is critically important to continue providing the highest level of services to the community and its citizens. The City is taking a proactive approach in the marketing and development of its undeveloped commercial areas as the future development of these assets is vital to the economic health of 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 2011 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 lake pump reconstruction, roadway repairs and resurfacing, and continued work for a pedestrian crossing at Wigwam Boulevard and Litchfield Road.

Relevant Financial Policies. The City's financial policies include the following:

- **Fiscal Conservatism:** Ensure the City is in a solid financial condition at all times, current revenues will be sufficient to support current operating expenditures. The City performs monthly reviews of operating budgets for all funds regardless of funding source.
- **Adherence to the Highest Accounting and Management Practices:** Comply with the Government Finance Officer's Association (GFOA) standards for reporting and budgeting and the Governmental Accounting Standards Board (GASB).
- **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, 2011.
- **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.

- **Flexibility:** Ensure the City is in a position to respond to changes in the economy or new service challenges without undue amounts of financial stress.

Awards and Acknowledgements

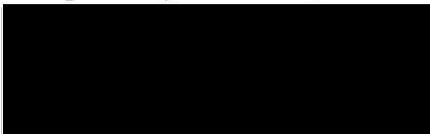
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Litchfield Park for its comprehensive annual financial report for the fiscal year ended June 30, 2010.

This was the eleventh 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.

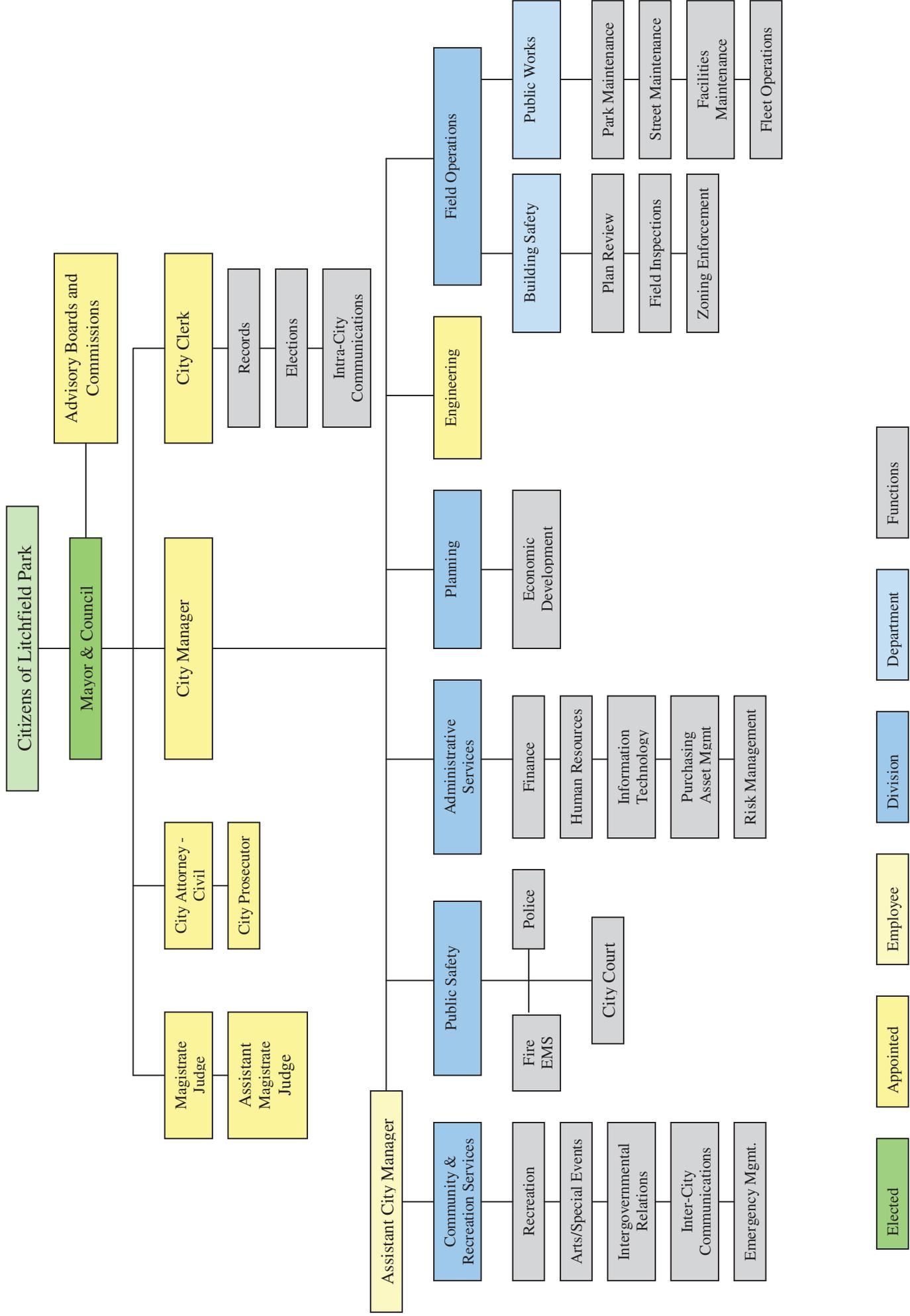
The Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting, and its attainment represents a significant accomplishment by a government and its management. The preparation of the report would not have been possible without the efficient 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 large black rectangular redaction box covering the signature of Benjamin Ronquillo.

Benjamin Ronquillo
Finance Director

City of Litchfield Park, Arizona Organization Chart



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

Effective 7/1/2011

City Council/Community Facilities District Board

Thomas Schoaf, Mayor

Paul Faith, Vice Mayor

Tim Blake

Diane Landis

Peter Mahoney

John Romack

Paul Stucky

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

Michael Yates

Todd Kinney

Planning & Zoning Commission

David Ellis, Chair

Richard Vasiloff, Vice Chair

Jeff Raible

Michael Kearns

Woody Thomas

Susan Van Duyn

Recreation and Public Grounds Commission

Kyle Addington

Rocky Cocchiola

JoAnn Dun

Robin Inskeep

Kevin Lyons

Andi Phillips

David Schwake

Lisa Wolfe

Beautification Committee/Tree Board

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, 2010

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



Linda C. Danison

President

Jeffrey R. Emer

Executive Director

NOI.T.COV I.IA.I.CNAB.I.F

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, 2011, 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, 2011, 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.

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

U.S. generally accepted accounting principles requires that Management's Discussion and Analysis (MD&A) on pages 3 through 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 statements and individual fund schedules and statistical section listed in the table of contents are presented for purposes of additional analysis and are not required parts of the basic financial statements. The combining statements and individual fund schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied by us during the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, such information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them and do not provide any assurance 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 2, 2012, 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.

This report is intended solely for the information and use of the members of the Arizona State Legislature, City Council, management and others within the City and is not intended to be and should not be used by anyone other than these specified parties. However, the report is a matter of public record, and its use is not limited.

Walker & Armstrong LLP

Phoenix, Arizona
February 2, 2012

City of Litchfield Park, Arizona
Management's Discussion and Analysis
June 30, 2011

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, 2011. 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 \$19,246,754 (*net assets*). Of this amount, \$3,491,275 (*unrestricted net assets*) may be used to meet the City's obligations to citizens and creditors.
- The City's total net assets increased by \$574,507.
- As of the close of the current fiscal year, the City of Litchfield Park's governmental funds reported combined ending fund balances of \$6,036,298 a decrease of \$135,805 in comparison with the prior year. \$2,782,202 of the total ending fund balance is unassigned and therefore available for spending at the City's discretion.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,792,493, or 64 percent of total general fund expenditures.
- The City of Litchfield Park's long-term liabilities decreased by \$192,459 (4 percent) during the current fiscal year resulting primarily 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

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

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 41-42 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 15-18 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 46-52.

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 23-40 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 \$19,246,754 at the close of the most recent fiscal year.

The largest portion of the City's net assets (69 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 (18 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 decreased from approximately \$1,422,100 in 2010 (as restated) to approximately \$574,500 in 2011. The decrease was primarily the result an intergovernmental agreement with the City of Goodyear to contract fire protection and emergency medical services for the City. The agreement commenced on June 28, 2010. In addition, the City's transfer to its recreation center increased in comparison to the prior year.

Business-type activities consist primarily of the City's recreation center which incurred a decrease in net assets before transfers of \$323,825 which was offset by transfers in from the general fund.

The following table summarizes the statement of net assets at June 30, 2011 and 2010:

City of Litchfield Park's Net Assets							
	Governmental activities		Business-type activities		Total		
	2011	2010 (As restated)	2011	2010	2011	2010 (As restated)	
Current and other assets	\$ 6,974,072	\$ 7,614,891	\$ (62,180)	\$ (93,933)	\$ 6,911,893	\$ 7,520,958	
Capital assets	18,300,855	17,793,004	152,816	172,989	18,453,671	17,965,993	
Total assets	25,274,927	25,407,895	90,636	79,056	25,365,563	25,486,951	
Long-term liabilities outstanding	4,983,435	5,183,953	-	-	4,983,435	5,183,953	
Other liabilities	1,044,738	1,551,693	90,636	79,056	1,135,374	1,630,749	
Total liabilities	6,028,173	6,735,646	90,636	79,056	6,118,809	6,814,702	
Net assets:							
Invested in capital assets, net of related debt	13,145,855	12,448,002	152,816	172,989	13,298,671	12,620,991	
Restricted for:							
Public works	681,128	797,119	-	-	681,128	797,119	
Criminal justice	193,872	-	-	-	193,872	-	
Debt Service	1,581,808	1,581,164	-	-	1,581,808	1,581,164	
Unrestricted	3,644,091	3,845,962	(152,816)	(172,989)	3,491,275	3,672,973	
Total net assets	\$ 19,246,754	\$ 18,672,247	\$ -	\$ -	\$ 19,246,754	\$ 18,672,247	

At the end of the current fiscal year, the City is able to report a positive balance in governmental activities unrestricted net assets of \$3,644,091.

Management's Discussion and Analysis - Continued

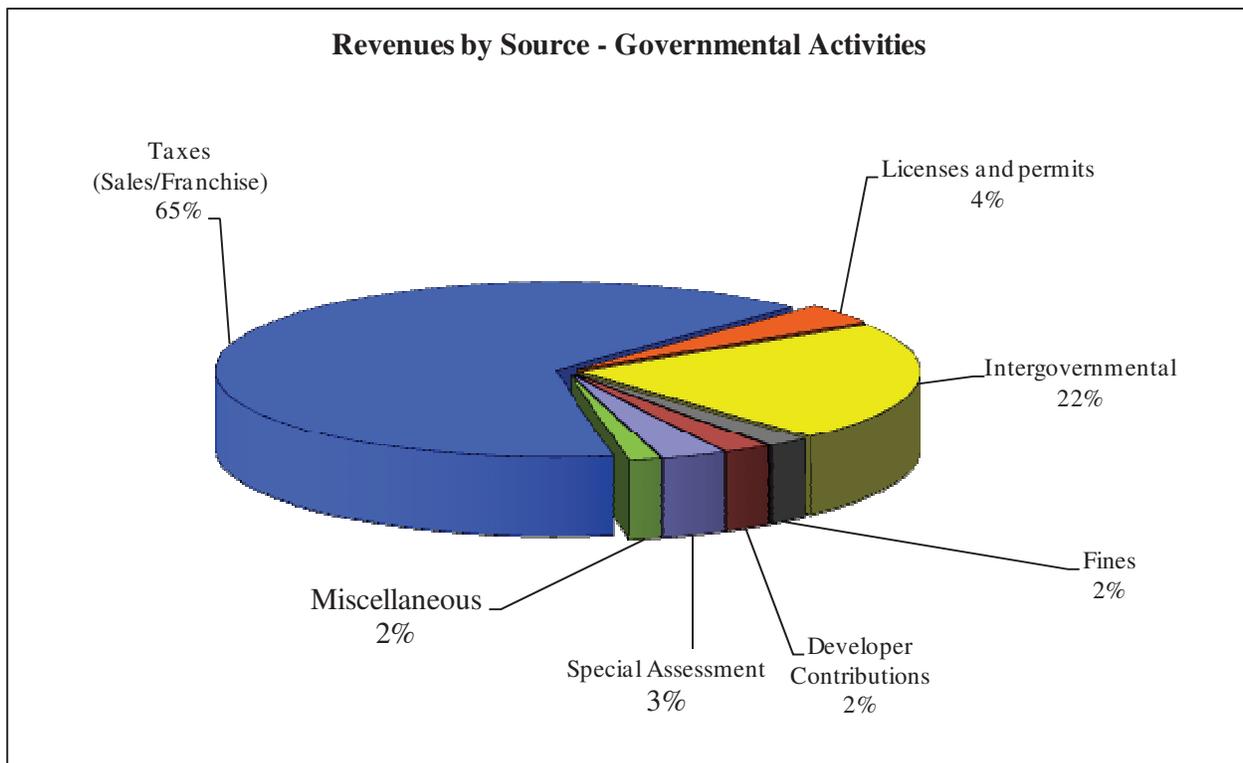
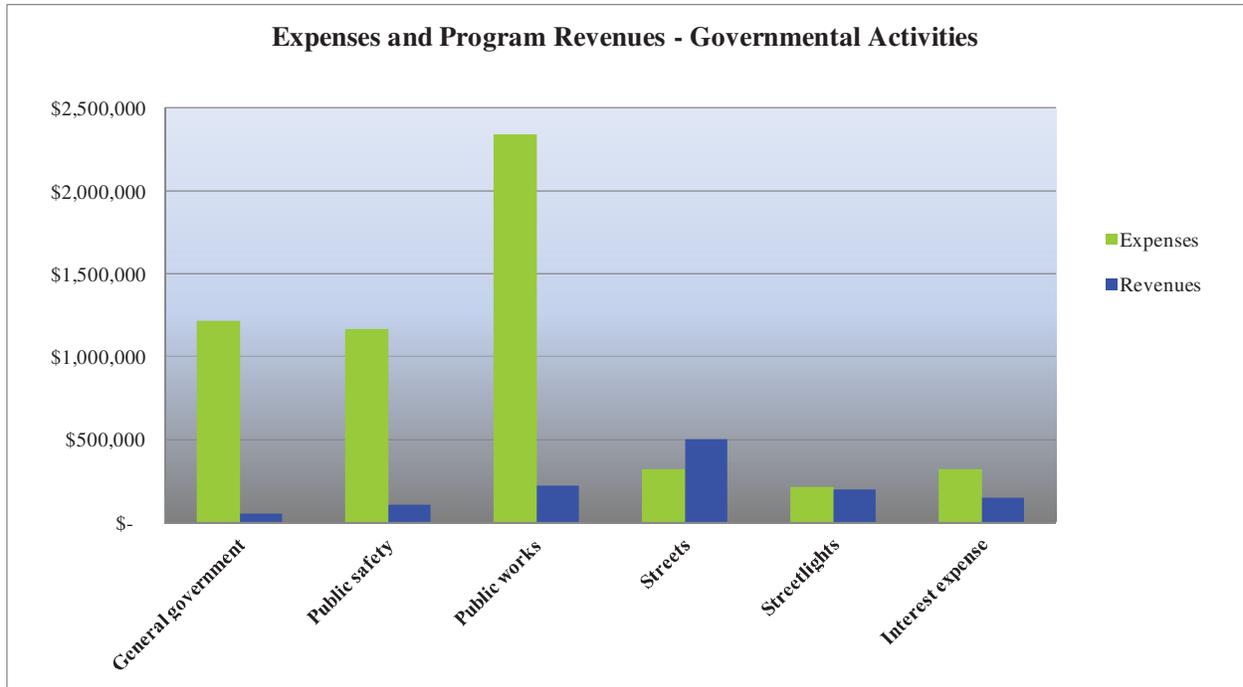
Governmental activities. Governmental activities increased the City's net assets by \$574,507. Key elements of this increase are summarized in the following schedule:

City of Litchfield Park's Changes in Net Assets							
	Governmental activities		Business-type activities		Total		
	2010				2010		
	2011	(As restated)	2011	2010	2011	(As restated)	
Revenues:							
Program revenues:							
Charges for services	\$ 570,931	\$ 498,228	\$ 527,654	\$ 491,466	\$ 1,098,585	\$ 989,694	
Capital grants and contributions	647,899	734,945	-	301	647,899	735,246	
General revenues:							
Taxes	4,209,664	3,791,850	-	-	4,209,664	3,791,850	
Intergovernmental	943,485	1,269,298	-	-	943,485	1,269,298	
Other	104,507	516,161	(1,643)	-	102,864	516,161	
Total revenues	<u>6,476,486</u>	<u>6,810,482</u>	<u>526,011</u>	<u>491,767</u>	<u>7,002,497</u>	<u>7,302,249</u>	
Expenses:							
General government	1,211,802	1,341,656	-	-	1,211,802	1,341,656	
Public safety	1,166,193	735,388	-	-	1,166,193	735,388	
Public works	2,342,011	2,270,364	-	-	2,342,011	2,270,364	
Streets	323,461	465,604	-	-	323,461	465,604	
Streetlights	213,300	200,430	-	-	213,300	200,430	
Interest on long-term debt	321,387	331,838	-	-	321,387	331,838	
Community and recreation svcs.	-	-	849,836	902,476	849,836	902,476	
Total expenses	<u>5,578,154</u>	<u>5,345,280</u>	<u>849,836</u>	<u>902,476</u>	<u>6,427,990</u>	<u>6,247,756</u>	
Change in net assets before transfers	898,332	1,465,202	(323,825)	(410,709)	574,507	1,054,493	
Transfers	(323,825)	(43,053)	323,825	43,053	-	-	
Change in net assets	574,507	1,422,149	-	(367,656)	574,507	1,054,493	
Net assets - beginning	<u>18,672,247</u>	<u>17,250,098</u>	<u>-</u>	<u>367,656</u>	<u>18,672,247</u>	<u>17,617,754</u>	
Net assets - ending	<u>\$ 19,246,754</u>	<u>\$ 18,672,247</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,246,754</u>	<u>\$ 18,672,247</u>	

As reported above, overall governmental activities revenues decreased by \$333,996. While sales and use tax increased by \$544,256, other revenues such as intergovernmental revenues decreased as did donations of capital (long-lived) assets which resulted in a net decrease. Governmental activities expenses increased by \$232,874, the result of which was primarily due to an intergovernmental agreement with the City of Goodyear to provide fire protection and emergency medical services for the City.

Management's Discussion and Analysis - Continued

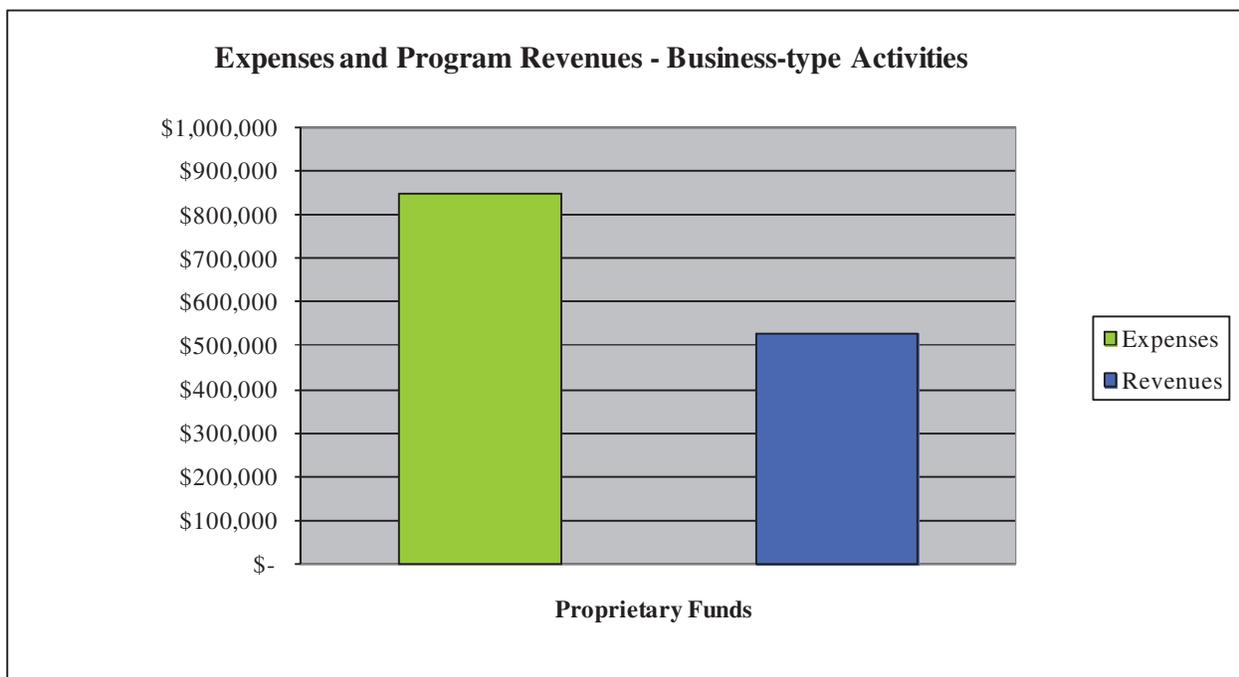
The following graphs provide comparisons of the governmental activities direct program revenues with their expenses and a comparison of specific revenue types.



Management's Discussion and Analysis - Continued

Business-type activities. Operating revenues of the enterprise funds increased \$34,244 (7 percent) in fiscal year 2011. Operating expenses of the enterprise fund decreased by \$52,640 (6 percent) during the same period. The decrease in operating expenses is primarily related to a reduction in community and recreation services programs. The increase in revenues is primarily the result an annual program activity fee implemented by the City as well as other increased enrollment in the City's recreation center 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 the community and recreation services funds 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, *unassigned 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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$6,036,298, a decrease of \$135,805 in comparison with the prior year. Of this balance, unassigned fund balance totaled \$2,782,202, which is available for spending at the City's discretion. When fund balance is assigned or committed, it indicates that it is not available for spending for purposes other than those specifically authorized by management or City Council.

The general fund is the City's chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$2,792,493, which is also the total fund balance.

As a measure of the general fund's liquidity, it is useful to compare both unassigned fund balance to total fund expenditures. Unassigned fund balance represents 64 percent of total general fund expenditures. During the current fiscal year, the fund balance of the City's general fund decreased by \$606,451. The key factor in this decrease is increased spending for public safety and an increase in amounts transferred to the City's capital improvement and recreation services funds.

The debt service fund has a total fund balance of \$1,581,808, all of which is restricted 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 \$644.

The capital improvement fund incurred \$1,120,499 in expenditures for various street related infrastructure projects. The general fund made a transfer to the capital improvement fund in the amount of \$1,345,702 during the year which resulted in an increase in the fund balance of \$462,516.

Non-major fund revenues were consistent with the prior year while expenditures decreased by \$36,924 primarily from a decrease 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. Operating revenues increased by \$35,887 due to an increase in special program activity while operating expenses decreased by \$52,640 due to cost cutting measures. The net loss of \$323,825 was offset by a transfer in from the general fund.

General Fund Budgetary Highlights

During the year, revenues exceeded budgetary estimates, primarily due to greater than anticipated tax revenues. General fund expenditures were within the final approved expenditure budget limits, which eliminated the need to draw upon existing fund balance.

Management's Discussion and Analysis - Continued

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, 2011, amounts to \$18,453,671 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, construction in progress, and infrastructure. The net increase in the City's investment in capital assets for the current fiscal year was 3 percent.

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	
	2011	2010	2011	2010	2011	2010
Land	\$ 2,079,749	\$ 2,079,749	\$ 31,000	\$ 31,000	\$ 2,110,749	\$ 2,110,749
Construction in progress	1,531,571	824,206	-	-	1,531,571	824,206
Buildings	105,863	61,297	61,896	81,748	167,759	143,045
Leasehold improvements	-	-	52,068	49,350	52,068	49,350
Infrastructure	13,808,120	13,940,012	-	-	13,808,120	13,940,012
Land improvements	586,254	612,158	-	-	586,254	612,158
Machinery and equipment	77,332	80,899	7,852	10,891	85,184	91,790
Office equipment	26,253	40,193	-	-	26,253	40,193
Vehicles	85,713	154,488	-	-	85,713	154,488
Total	\$ 18,300,855	\$ 17,793,002	\$ 152,816	\$ 172,989	\$ 18,453,671	\$ 17,965,991

Additional information on the City's capital assets can be found in Note 7 on pages 33-35 of this report.

Long-term liabilities. At the end of the current fiscal year, the City had total bonded debt outstanding of \$5,155,000. 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.

Additional information on the City's long-term liabilities can be found in Note 8 on pages 36-37 of this report.

Management's Discussion and Analysis - Continued

Economic Factors and Next Year's Budgets and Rates

- The City continues to have no general property tax rate. The exception is a special assessment rate of \$2.50 per \$100 of assessed valuation on real property located within the Village at Litchfield Park Community Facilities District.
- Over the previous three 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 reductions in one-time construction related revenues. Development of new models by the residential developers is anticipated to spur increases in construction revenue as the economy recovers.
- Over the previous three fiscal years, the City has seen a significant reduction in sales tax revenues due to an economic recession in the state. Also, this recession resulted in moderate to significant reductions in state shared revenues. The City has seen slight increases in sales tax revenues in fiscal year 2011, which it anticipates continuing as the economy grows.
- 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 2012.
- 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 2012 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.

Basic Financial Statements

Including Notes to the Financial Statements

These statements provide an overview of the financial position and the operating results of all fund types.

City of Litchfield Park, Arizona
Statement of Net Assets
June 30, 2011

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 3,645,099	\$ 250	\$ 3,645,349
Investments	2,900,427	-	2,900,427
Receivables (net of allowance for uncollectibles):			
Accounts	53,137	6,596	59,733
Interest	14	-	14
Internal balances	69,026	(69,026)	-
Due from other governments	306,369	-	306,369
Capital assets, not being depreciated	3,611,320	31,000	3,642,320
Capital assets, being depreciated, net	<u>14,689,535</u>	<u>121,816</u>	<u>14,811,351</u>
Total assets	25,274,927	90,636	25,365,563
Liabilities			
Accounts payable	278,799	206	279,005
Accrued payroll and related liabilities	87,031	56,181	143,212
Interest payable	160,693	-	160,693
Unearned revenue	203,070	34,249	237,319
Due to other governments	8,181	-	8,181
Noncurrent liabilities:			
Due within one year	306,964	-	306,964
Due in more than one year	<u>4,983,435</u>	<u>-</u>	<u>4,983,435</u>
Total liabilities	<u>6,028,173</u>	<u>90,636</u>	<u>6,118,809</u>
Net Assets			
Invested in capital assets, net of related debt	13,145,855	152,816	13,298,671
Restricted for:			
Public works	681,128	-	681,128
Debt service	1,581,808	-	1,581,808
Unrestricted	<u>3,837,963</u>	<u>(152,816)</u>	<u>3,685,147</u>
Total net assets	<u>\$ 19,246,754</u>	<u>\$ -</u>	<u>\$ 19,246,754</u>

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

City of Litchfield Park, Arizona
Statement of Activities
Year ended June 30, 2011

	Net (Expense) Revenue and Changes in Net Assets					
	Program Revenues		Primary Government			
	Expenses	Charges for Services	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:						
General government	\$ 1,211,802	\$ 51,850	\$ -	\$ (1,159,952)	\$ -	\$ (1,159,952)
Public safety	1,166,193	102,567	-	(1,063,626)	-	(1,063,626)
Public works	2,342,011	218,405	-	(2,123,606)	-	(2,123,606)
Streets	323,461	-	502,530	179,069	-	179,069
Streetlights	213,300	198,109	-	(15,191)	-	(15,191)
Interest on long-term debt	321,387	-	145,369	(176,018)	-	(176,018)
Total governmental activities	5,578,154	570,931	647,899	(4,359,324)	-	(4,359,324)
Business-type activities:						
Recreation services	661,631	384,184	-	-	(277,447)	(277,447)
Community services	70,285	7,998	-	-	(62,287)	(62,287)
Special events	117,920	135,472	-	-	17,552	17,552
Total government	\$ 6,239,785	\$ 955,115	\$ 647,899	(4,359,324)	(322,182)	(4,636,771)
General revenues:						
Taxes						
Sales and use tax				3,619,867	-	3,619,867
Franchise tax				213,348	-	213,348
Property tax, levied for debt service				376,449	-	376,449
State shared tax revenue - unrestricted				943,485	-	943,485
Investment earnings				6,814	-	6,814
Other income (loss)				97,693	(1,643)	96,050
Transfers				(323,825)	323,825	-
Total general revenues and transfers				4,933,831	322,182	5,256,013
Change in net assets				574,507	-	619,242
Net assets, July 1, 2010, as restated				18,672,247	-	18,672,247
Net assets, June 30, 2011				\$ 19,246,754	\$ -	\$ 19,291,489

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

City of Litchfield Park, Arizona
Balance Sheet
Governmental Funds
June 30, 2011

	<u>General</u>	<u>Debt Service-CFD</u>	<u>Capital Improvement</u>	<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
Assets					
Cash on hand and in bank	\$ 1,069,598	\$ -	\$ 437,313	\$ 195,701	\$ 1,702,612
Cash with fiscal agent	-	1,942,487	-	-	1,942,487
Investments	2,763,139	-	-	137,288	2,900,427
Accounts receivable	49,759	-	-	3,378	53,137
Accrued interest receivable	-	14	-	-	14
Due from other governments	278,396	-	-	27,973	306,369
Due from other funds	104,766	-	359,975	528,541	993,282
Total assets	<u>\$ 4,265,658</u>	<u>\$ 1,942,501</u>	<u>\$ 797,288</u>	<u>\$ 892,881</u>	<u>\$ 7,898,328</u>
Liabilities and Fund Balances					
<i>Liabilities</i>					
Accounts payable	\$ 278,799	\$ -	\$ -	\$ -	\$ 278,799
Accrued payroll and related benefits	87,031	-	-	-	87,031
Due to other governments	8,181	-	-	-	8,181
Current bonds payable	-	200,000	-	-	200,000
Interest payable	-	160,693	-	-	160,693
Unearned revenue	203,070	-	-	-	203,070
Due to other funds	896,084	-	-	28,172	924,256
Total liabilities	1,473,165	360,693	-	28,172	1,862,030
<i>Fund balances</i>					
Restricted	-	1,581,808	-	681,128	2,262,936
Committed	-	-	797,288	193,872	991,160
Unassigned	2,792,493	-	-	(10,291)	2,782,202
Total fund balances	<u>2,792,493</u>	<u>1,581,808</u>	<u>797,288</u>	<u>864,709</u>	<u>6,036,298</u>
Total liabilities and fund balances	<u>\$ 4,265,658</u>	<u>\$ 1,942,501</u>	<u>\$ 797,288</u>	<u>\$ 892,881</u>	<u>\$ 7,898,328</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, 2011

Total fund balances	\$ 6,036,298
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 \$25,495,975 and the accumulated depreciation is \$7,195,120.	18,300,855
Compensated absences liability is not due and payable in the current period and therefore is not reported in the funds.	(135,399)
Long-term bonds payable are not due and payable in the current period and therefore are not reported in the funds.	<u>(4,955,000)</u>
Net assets of governmental funds	<u>\$ 19,246,754</u>

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, 2011

	<u>General</u>	<u>Debt Service-CFD</u>	<u>Capital Improvement</u>	<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Taxes	\$ 3,833,215	\$ 376,449	\$ -	\$ -	\$ 4,209,664
Special assessments	-	-	-	198,109	198,109
Licenses and permits	244,245	-	-	-	244,245
Intergovernmental	943,485	-	237,313	265,217	1,446,015
Developer contributions	-	145,369	-	-	145,369
Fines	102,567	-	-	26,010	128,577
Investment earnings	6,190	213	-	411	6,814
Miscellaneous	97,693	-	-	-	97,693
Total revenues	<u>5,227,395</u>	<u>522,031</u>	<u>237,313</u>	<u>489,747</u>	<u>6,476,486</u>
Expenditures					
<i>Current</i>					
General government	1,167,422	-	-	-	1,167,422
Public safety	1,162,678	-	-	3,515	1,166,193
Public works	1,866,641	-	-	-	1,866,641
Streets	167,594	-	-	49,750	217,344
Streetlights	-	-	-	213,300	213,300
<i>Capital outlay</i>	15,680	-	1,120,499	-	1,136,179
<i>Debt service</i>					
Principal retirement	-	190,000	-	-	190,000
Interest and fiscal charges	-	331,387	-	-	331,387
Total expenditures	<u>4,380,015</u>	<u>521,387</u>	<u>1,120,499</u>	<u>266,565</u>	<u>6,288,466</u>
Excess (deficiency) of revenues over expenditures	847,380	644	(883,186)	223,182	188,020
Other financing sources (uses)					
Transfers in	-	-	1,345,702	-	1,345,702
Transfers out	(1,453,831)	-	-	(215,696)	(1,669,527)
Total other financing sources (uses)	<u>(1,453,831)</u>	<u>-</u>	<u>1,345,702</u>	<u>(215,696)</u>	<u>(323,825)</u>
Net change in fund balances	(606,451)	644	462,516	7,486	(135,805)
Fund balances at July 1, 2010, as restated	<u>3,398,944</u>	<u>1,581,164</u>	<u>334,772</u>	<u>857,223</u>	<u>6,172,103</u>
Fund balances at June 30, 2011	<u>\$ 2,792,493</u>	<u>\$ 1,581,808</u>	<u>\$ 797,288</u>	<u>\$ 864,709</u>	<u>\$ 6,036,298</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, 2011

Net change in fund balances - total governmental funds		\$ (135,805)
<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	\$ 1,296,729	
Depreciation expense	<u>(788,876)</u>	507,853
Principal maturation of bonds payable		200,000
<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>		
Decrease in compensated absences		<u>2,459</u>
Change in net assets of governmental activities		<u>\$ 574,507</u>

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, 2011

	<u>Original Budget</u>	<u>Amendments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues					
Taxes	\$ 3,517,000	\$ -	\$ 3,517,000	\$ 3,833,215	\$ 316,215
Licenses and permits	149,000	-	149,000	244,245	95,245
Intergovernmental	937,689	-	937,689	943,485	5,796
Fines	83,000	-	83,000	102,567	19,567
Investment earnings	3,800	-	3,800	6,190	2,390
Miscellaneous	84,900	-	84,900	97,693	12,793
Total revenues	4,775,389	-	4,775,389	5,227,395	452,006
Expenditures					
City manager's office	239,171	-	239,171	198,546	40,625
City attorney	90,000	10,000	100,000	132,794	(32,794)
Mayor and city council	12,000	-	12,000	5,405	6,595
City clerk's office	429,103	-	429,103	354,673	74,430
Finance and human resources	407,413	-	407,413	390,435	16,978
Public works maintenance	2,298,943	-	2,298,943	1,757,540	541,403
Building safety and zoning enforcement	183,136	-	183,136	122,713	60,423
Planning services	126,610	-	126,610	89,246	37,364
Engineering services	127,000	45,000	172,000	170,069	1,931
Magistrate court	163,655	-	163,655	139,446	24,209
Public safety	1,025,249	-	1,025,249	1,019,148	6,101
Total expenditures	5,102,280	55,000	5,157,280	4,380,015	777,265
Excess (deficiency) of revenues over expenditures	(326,891)	(55,000)	(381,891)	847,380	1,229,271
Other financing sources (uses)					
Transfers out	(1,692,284)	273,284	(1,419,000)	(1,453,831)	238,453
Net change in fund balance	<u>\$ (2,019,175)</u>	<u>\$ 218,284</u>	<u>\$ (1,800,891)</u>	<u>\$ (606,451)</u>	<u>\$ 1,194,440</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, 2011

	Business-Type Activities		Total
	Enterprise Funds		
	Recreation Services	Non-Major Funds	
Assets			
<i>Current assets:</i>			
Cash on hand	\$ 250	\$ -	\$ 250
Accounts receivable	6,596	-	6,596
Due from other funds	-	7,568	7,568
Total current assets	<u>6,846</u>	<u>7,568</u>	<u>14,414</u>
<i>Noncurrent assets:</i>			
Capital assets, not being depreciated	31,000	-	31,000
Capital assets, being depreciated, net	<u>121,816</u>	<u>-</u>	<u>121,816</u>
Total noncurrent assets	<u>152,816</u>	<u>-</u>	<u>152,816</u>
Total assets	159,662	7,568	167,230
Liabilities			
<i>Current liabilities:</i>			
Accounts payable	206	-	206
Accrued payroll and related	48,613	7,568	56,181
Due to other funds	76,594	-	76,594
Deferred revenue	<u>34,249</u>	<u>-</u>	<u>34,249</u>
Total current liabilities	<u>159,662</u>	<u>7,568</u>	<u>167,230</u>
Net assets			
Invested in capital assets	152,816	-	152,816
Unrestricted	<u>(152,816)</u>	<u>-</u>	<u>(152,816)</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, 2011

	Business-Type Activities - Enterprise Funds		
	Recreation Services	Non-Major Funds	Total
Operating revenues			
Current use charges	\$ 38,846	\$ 7,998	\$ 46,844
Special programs	345,338	135,472	480,810
Total operating revenues	384,184	143,470	527,654
Operating expenses			
Administrative	448,818	58,729	507,547
Operating	112,798	53	112,851
Special programs	74,499	129,423	203,922
Depreciation	25,516	-	25,516
Total operating expenses	661,631	188,205	849,836
Operating loss before transfers	(277,447)	(44,735)	(322,182)
Nonoperating income (expenses)			
Loss on disposal of capital assets	(1,643)	-	(1,643)
Net loss before transfers	(279,090)	(44,735)	(323,825)
Transfers			
Transfers in	279,090	44,735	323,825
Net income (loss)	-	-	-
Net assets, July 1, 2010	-	-	-
Net assets, June 30, 2011	\$ -	\$ -	\$ -

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, 2011

	Business-Type Activities -		
	Enterprise Funds		
	Recreation Services	Non-Major Funds	Total
Cash flows from operating activities:			
Cash received for services	\$ 398,569	\$ 143,470	\$ 542,039
Cash paid to suppliers	(187,295)	(128,848)	(316,143)
Cash paid to or on behalf of employees	(440,960)	(58,729)	(499,689)
Net cash used for operating activities	(229,686)	(44,107)	(273,793)
Cash flows from noncapital financing activities:			
Transfers in from the general fund	279,090	62,287	341,377
Transfers out to the general fund	-	(17,552)	(17,552)
Negative cash balance implicitly financed	(42,418)	(628)	(43,046)
Net cash provided by noncapital financing activities	236,672	44,107	280,779
Cash flows from capital and related financing activities:			
Purchase of capital assets	(6,986)	-	(6,986)
Net cash used for capital and related financing activities	(6,986)	-	(6,986)
Net change in cash and cash equivalents	-	-	-
Cash and cash equivalents, beginning of year	250	-	250
Cash and cash equivalents, end of year	\$ 250	\$ -	\$ 250
Reconciliation of operating loss to net cash used for operating activities:			
Operating loss	\$ (277,447)	\$ (44,735)	\$ (322,182)
Adjustments to reconcile operating loss to net cash used for operating activities:			
Depreciation	25,516	-	25,516
Decrease in accounts receivable	11,293	-	11,293
Increase in accounts payable	2	-	2
Increase in accrued payroll and employee benefits	7,858	628	8,486
Increase in deferred revenue	3,092	-	3,092
Net cash used for operating activities	<u>\$ (229,686)</u>	<u>\$ (44,107)</u>	<u>\$ (273,793)</u>

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

City of Litchfield Park, Arizona
Notes to Financial Statements
June 30, 2011

Note 1 - Summary of Significant Accounting Policies

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.

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, 2011, the City implemented the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. GASB Statement No. 54 establishes standards for financial reporting, including note disclosure requirements, for fund balance classifications of the governmental funds and clarifies existing governmental fund type definitions.

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

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

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

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

For purposes of its statement of cash flows, the City considers only those highly liquid investments with original maturities of three months or less from the date of acquisition to be cash equivalents.

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

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" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade receivables are shown net of an allowance for uncollectibles (\$0 as of June 30, 2011).

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.

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.

Notes to Financial Statements – Continued

Note 1 - Summary of Significant Accounting Policies - Continued

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 2011, 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

Note 1 - Summary of Significant Accounting Policies - Continued

7. 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.

8. Fund Balance Classifications

Fund balances of the governmental funds are reported separately within classifications based on a hierarchy of the constraints placed on those resources. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable, restricted, and unrestricted, which includes committed, assigned, and unassigned fund balance classifications.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form such as inventories, or are legally or contractually required to be maintained intact. Restricted fund balances are those that have externally imposed restrictions on their usage by creditors, such as through debt covenants, grantors, contributors, or laws and regulations.

The unrestricted fund balance category is comprised of committed, assigned, and unassigned resources. Committed fund balances are self-imposed limitations approved in a public meeting by the City Council, which is the highest level of decision-making authority within the City. The constraints placed on committed fund balances can only be removed or changed by the City Council in a public meeting.

Assigned fund balances are resources constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed.

The unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not reported in the other classifications. Also, deficits in fund balances of the other governmental funds are reported as unassigned.

Notes to Financial Statements – Continued

Note 1 - Summary of Significant Accounting Policies - Continued

When an expenditure is incurred that can be paid from either restricted or unrestricted fund balances, it is the City's policy to use restricted fund balances first. For the disbursement of unrestricted fund balances, it's the City's policy to use committed amounts first, followed by assigned amounts, and lastly unassigned amounts.

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 one supplemental budgetary appropriation during the year.

Note 3 - Restricted Fund Balances

Other governmental funds' restricted fund balances were comprised of the following:

Streets	\$ 329,420
Streetlights	84,009
Transportation	<u>267,699</u>
Total	<u>\$ 681,128</u>

Note 4 – Individual Fund Deficits

Special Lighting Improvement Districts I and III had deficit fund balances totaling \$7,365 and \$2,926, 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

Note 5 – Cash, Bank Deposits and Investments

Cash and Bank Deposits

At June 30, 2011, the cash on hand was \$500. The carrying amount of the City's deposits was \$1,702,362 and the bank balance was \$1,872,607. 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, 2011:

Cash on hand	\$	500
Unrestricted bank deposits		<u>1,702,362</u>
	\$	<u>1,702,862</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 policy and State Statute authorized the City to invest in obligations of the U.S. Treasury, its agencies and instrumentalities, repurchase agreements, money market accounts, certificates of deposit, and the State of Arizona Local Government Investment Pool (LGIP). 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, 2011, all investments of those pools had an average Standard and Poor's rating of AAA.

Concentration of Credit Risk: At June 30, 2011, 40% 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, approximately \$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 5 – 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, 2011, all investments have a maturity of less than one year.

	Fair Value
U.S. Treasury Money Market Fund	\$ 1,942,487
State Treasurer’s Local Government Investment Pool	2,900,427
	\$ 4,842,914

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	\$ 1,702,862
Cash with fiscal agent:	
U.S. Treasury Money Market Fund	1,942,487
State Treasurer’s Local Government Investment Pool	2,900,427
Total cash and investments	\$ 6,545,776

Consisting of:

Cash and cash equivalents	\$ 3,645,349
Investments	2,900,427
Total cash and investments	\$ 6,545,776

Notes to Financial Statements – Continued

Note 6 - Due from Other Governments

Amounts due from other governments at June 30, 2011 consist of the following:

	Governmental Activities
City sales tax	\$ 215,975
State sales tax	36,278
Vehicle license tax	15,104
Highway user fund	27,973
Other	11,039
	\$ 306,369

Note 7 - Capital Assets

Governmental activities capital asset activity for the year ended June 30, 2011 was as follows:

	Balance, June 30, 2010	Additions	Retirements	Balance, June 30, 2011
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 2,079,749	\$ -	\$ -	\$ 2,079,749
Construction in progress	824,206	784,314	76,949	1,531,571
Total capital assets, not being depreciated	2,903,955	784,314	76,949	3,611,320
<i>Capital assets, being depreciated:</i>				
Buildings	127,900	49,102	-	177,002
Building improvements	57,164	-	-	57,164
Infrastructure	19,164,035	515,781	-	19,679,816
Land improvements	757,924	-	-	757,924
Machinery and equipment	356,791	24,481	-	381,272
Office equipment	107,554	-	11,764	95,790
Vehicles	735,687	-	-	735,687
Total capital assets, being depreciated	21,307,055	589,364	11,764	21,884,655
<i>Less accumulated depreciation for:</i>				
Buildings	(66,603)	(4,536)	-	(71,139)
Leasehold improvements	(57,164)	-	-	(57,164)
Infrastructure	(5,224,023)	(647,673)	-	(5,871,696)
Land improvements	(145,766)	(25,904)	-	(171,670)
Machinery and equipment	(275,892)	(28,048)	-	(303,940)
Office equipment	(67,361)	(13,940)	11,764	(69,537)
Vehicles	(581,199)	(68,775)	-	(649,974)
Total accumulated depreciation	(6,418,008)	(788,876)	11,764	(7,195,120)
Total capital assets, being depreciated, net	14,889,047	(199,512)	-	14,689,535
Governmental activities capital assets, net	\$ 17,793,002	\$ 584,802	\$ 76,949	\$ 18,300,855

Notes to Financial Statements – Continued

Note 7 - Capital Assets - Continued

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

General government	\$ 44,380
Highways and streets	266,667
Public works	<u>477,829</u>
Total depreciation expense-governmental activities	<u>\$ 788,876</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 7 - Capital Assets - Continued

Business-type activities changes in capital assets for the year ended June 30, 2011 were as follows:

	<u>Balance,</u> <u>June 30, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance,</u> <u>June 30, 2011</u>
Proprietary fund activities:				
<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	-	(2,740)	454,429
Building improvements	86,544	6,987	(21,145)	72,386
Furniture and fixtures	31,923	-	(24,698)	7,225
Equipment	49,679	-	(34,482)	15,197
Total capital assets, being depreciated	<u>625,315</u>	<u>6,987</u>	<u>(83,065)</u>	<u>549,237</u>
<i>Less accumulated depreciation for:</i>				
Recreation center	(375,421)	(18,345)	1,233	(392,533)
Building improvements	(37,194)	(4,133)	21,009	(20,318)
Furniture and fixtures	(31,923)	-	24,698	(7,225)
Equipment	<u>(38,788)</u>	<u>(3,039)</u>	<u>34,482</u>	<u>(7,345)</u>
Total accumulated depreciation	<u>(483,326)</u>	<u>(25,517)</u>	<u>81,422</u>	<u>(427,421)</u>
Total capital assets, being depreciated, net	<u>141,989</u>	<u>(18,530)</u>	<u>(1,643)</u>	<u>121,816</u>
Proprietary fund activities capital assets, net	<u>\$ 172,989</u>	<u>\$ (18,530)</u>	<u>\$ (1,643)</u>	<u>\$ 152,816</u>

Note 8 - Interfund Receivables and Payables

The composition of the general fund due to other funds balances as of June 30, 2011, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Capital improvement fund	General fund	\$ 359,975
Non-major governmental funds	General fund	528,541
General fund	Non-major governmental funds	28,172
General fund	Recreation center	76,594
Non-major enterprise funds	General fund	7,568
		<u>\$1,000,850</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 8 - Interfund Receivables and Payables - Continued

Interfund transfers:

	Transfers In:			
	Governmental Funds	Enterprise Fund		
	Capital Improvement Fund	Recreation Center	Non-Major Funds	Total
Transfers Out:				
General fund	\$ 1,130,006	\$ 279,090	\$ 44,735	\$ 1,453,831
Non-major governmental funds	215,696	-	-	215,696
Total transfers out	<u>\$ 1,345,702</u>	<u>\$ 279,090</u>	<u>\$ 44,735</u>	<u>\$ 1,669,527</u>

In the governmental fund financial statements, total transfers out of \$1,669,527 are greater than total transfers in of \$1,345,702 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 9 - Long-Term Debt

A summary of long-term debt activity for the year ended June 30, 2011 follows:

	Balance June 30, 2010	Additions	Retirements	Balance June 30, 2011	Due Within One Year
Accrued payroll and benefits (compensated absences)	\$ 137,858	\$ 135,399	\$ (137,858)	\$ 135,399	\$ 106,964
Community Facilities District general obligation bonds	5,345,000	-	(190,000)	5,155,000	200,000
Total	<u>\$ 5,482,858</u>	<u>\$ 135,399</u>	<u>\$ (327,858)</u>	<u>\$ 5,290,399</u>	<u>\$ 306,964</u>

Notes to Financial Statements – Continued

Note 9 - 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 (pledged revenues totaled \$376,449 during 2011 while principal and interest totaled \$521,387). 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:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 200,000	\$ 315,886
2013	210,000	304,087
2014	225,000	291,038
2015	235,000	277,238
2016	250,000	262,688
2017-2021	1,505,000	1,056,338
2022-2026	2,040,000	497,569
Thereafter	490,000	15,619
Total	<u>\$ 5,155,000</u>	<u>\$ 3,020,463</u>

Note 10 – Major Revenue Sources

The City has a concentration in revenue resulting from 68% of total revenues being generated from local sales, use, franchise and property taxes.

Notes to Financial Statements – Continued

Note 11 - Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; 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 74 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 12 – Commitments and Contingencies

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, 2011 through June 30, 2012 with the option to extend through June 30, 2013. Under the terms of the contract, the City paid \$505,024 to Maricopa County during the year ended June 30, 2011.

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. During the fiscal year ended June 30, 2011 the City paid a total of \$484,920 for these services.

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

Note 13 - 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, 2011, active ASRS members were required by statute to contribute at the actuarially determined rate of 9.85% (9.6 % retirement and 0.25 % long-term disability) of the members' annual covered payroll.

The City was required by statute to contribute at the actuarially determined rate of 9.85% (9.00% for retirement, 0.60% for health insurance premium and 0.25% long-term disability) of the members' annual covered payroll. The City's contributions to ASRS for the years ended June 30, 2011, 2010, and 2009 were \$167,526, \$165,743, and \$167,250 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:

	Retirement Fund	Health Insurance Fund	L-T Disability Fund
June 30, 2011	\$ 146,266	\$ 17,008	\$ 4,252
June 30, 2010	\$ 141,059	\$ 17,632	\$ 7,052
June 30, 2009	\$ 140,702	\$ 17,698	\$ 8,850

Notes to Financial Statements – Continued

Note 14 – 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, 2011, 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, 2011 totaled \$69,023, of which \$6,000 was contributed by the City.

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, 2011 the City paid a total of \$34,180 for these services.

Note 16 – Prior Period Adjustments

The City's governmental fund balance and net assets as of July 1, 2010 have been restated to correct an error related to revenue recognition for a grant and the implementation of GASB Statement No. 54. The effect of the restatements follows:

	Governmental Activities	General Fund	Capital Improvement	Nonmajor Funds
Net assets/fund balances as of June 30, 2010, as previously reported	\$ 18,472,247	\$ 3,570,139	\$ 134,772	\$ 686,028
Restatement due to prior year revenue recognition error	200,000	-	200,000	-
Reclassification of Court Enhancement Fund	-	(171,195)	-	171,195
Net assets as of June 30, 2010, as restated	\$ 18,672,247	\$ 3,398,944	\$ 334,772	\$ 857,223

The effect of the \$200,000 error correction would be an increase in the 2010 capital improvement fund's fund balance of \$200,000.

Supplemental Information

Combining Statements - Nonmajor Special Revenue Funds

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for a particular purpose.

Highway User Revenue Fund:

This fund is used to account for the City's share of the Arizona Highway User Revenue. This money must be used for street construction, reconstruction and maintenance.

Court Enhancement

This fund is used to account for the City's court enhancement activities and was previously reported in the general fund.

Local Transportation Assistance Fund (LTAF):

The LTAF I is used to account for the City's portion of the state lottery distribution. Monies may be spent on operation, maintenance and improvement of right-of-ways.

Special Lighting Improvement Districts I, II and III:

The Special Lighting Improvement Districts I, II and III Funds are special assessment districts established to provide street lighting to neighborhoods within the boundaries of the Districts. Revenues are comprised of ad valorem taxes levied based on the assessed value of the property in the Districts.

City of Litchfield Park, Arizona
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2011

	Special Revenue Funds						Total
	Highway Users Revenue Fund	Local Trans- portation Assistance Fund	Court Enhance- ment	Special Lighting Improve- ment District I	Special Lighting Improve- ment District II	Special Lighting Improve- ment District III	
Assets							
Cash on hand and in bank	\$ -	\$ -	\$ 195,701	\$ -	\$ -	\$ -	\$ 195,701
Investments	89,540	47,748	-	-	-	-	137,288
Accounts receivable	-	-	1,687	334	1,245	112	3,378
Due from other governments	27,973	-	-	-	-	-	27,973
Due from other funds	211,907	219,951	-	-	96,683	-	528,541
Total assets	<u>\$ 329,420</u>	<u>\$ 267,699</u>	<u>\$ 197,388</u>	<u>\$ 334</u>	<u>\$ 97,928</u>	<u>\$ 112</u>	<u>\$ 892,881</u>
Liabilities and Fund Balances							
Liabilities:							
Due to other funds	\$ -	\$ -	\$ 3,516	\$ 7,699	\$ 13,919	\$ 3,038	\$ 28,172
Total liabilities	-	-	3,516	7,699	13,919	3,038	28,172
Fund balances:							
Committed	-	-	193,872	-	-	-	193,872
Restricted	329,420	267,699	-	-	84,009	-	681,128
Unassigned	-	-	-	(7,365)	-	(2,926)	(10,291)
Total liabilities and fund balances	<u>\$ 329,420</u>	<u>\$ 267,699</u>	<u>\$ 197,388</u>	<u>\$ 334</u>	<u>\$ 97,928</u>	<u>\$ 112</u>	<u>\$ 892,881</u>

City of Litchfield Park, Arizona
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Non-Major Governmental Funds
Year ended June 30, 2011

	Special Revenue Funds						Total
	Highway Users Revenue Fund	Local Trans- portation Assistance Fund	Court Enhance- ment	Special Lighting Improve- ment District I	Special Lighting Improve- ment District II	Special Lighting Improve- ment District III	
Revenues							
Special assessments	\$ -	\$ -	\$ -	\$ 33,143	\$ 136,350	\$ 28,616	\$ 198,109
Intergovernmental	265,217	-	-	-	-	-	265,217
Fines	-	-	26,010	-	-	-	26,010
Investment earnings	229	-	182	-	-	-	411
Total revenues	265,446	-	26,192	33,143	136,350	28,616	489,747
Expenditures							
Public Safety	-	-	3,515	-	-	-	3,515
Streets	49,750	-	-	-	-	-	49,750
Streetlights	-	-	-	33,970	149,831	29,499	213,300
Total expenditures	49,750	-	3,515	33,970	149,831	29,499	266,565
Excess (deficiency) of revenues over expenditures	215,696	-	22,677	(827)	(13,481)	(883)	223,182
Other financing uses							
Transfers out	(215,696)	-	-	-	-	-	(215,696)
Net change in fund balances	-	-	22,677	(827)	(13,481)	(883)	7,486
Fund balances (deficit), July 1, 2010, as restated	329,420	267,699	171,195	(6,538)	97,490	(2,043)	857,223
Fund balances (deficit), June 30, 2011	\$ 329,420	\$ 267,699	\$ 193,872	\$ (7,365)	\$ 84,009	\$ (2,926)	\$ 864,709

Combining Statements - Proprietary Funds

The Enterprise Funds are used to account for activities that are operated in a manner similar to private business enterprise, where the intent of the government's council is that the cost of providing goods and services to the general public will be on a continuing basis.

Community Services Fund:

The Community Services Fund is used primarily to account for services provided to the community that are funded through general fund appropriations, grants and donations.

Special Events Fund:

The Special Events Fund is used primarily to account for various special events such as the Spring Art Festival, Arts in the Park, Christmas in the Park and other special events sponsored by the City.

City of Litchfield Park, Arizona
Combining Statement of Net Assets
Non-Major Proprietary Funds
June 30, 2011

	<u>Enterprise Funds</u>		<u>Total</u>
	<u>Community Services</u>	<u>Special Events</u>	
Assets			
Due from other funds	\$ 7,568	\$ -	\$ 7,568
Total assets	<u>7,568</u>	<u>-</u>	<u>7,568</u>
Liabilities			
Accrued payroll and related	<u>7,568</u>	<u>-</u>	<u>7,568</u>
Total liabilities	<u>7,568</u>	<u>-</u>	<u>7,568</u>
Net assets			
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, 2011

	<u>Enterprise Funds</u>		<u>Total Funds</u>
	<u>Community Services</u>	<u>Special Events</u>	
Operating revenues			
Current use charges	\$ 7,998	\$ -	\$ 7,998
Special programs	-	135,472	135,472
Total operating revenues	7,998	135,472	143,470
Operating expenses			
Administrative	30,732	27,997	58,729
Operating	-	53	53
Special programs	39,553	89,870	129,423
Total operating expenses	70,285	117,920	188,205
Income (loss) before transfers	(62,287)	17,552	(44,735)
Transfers in (out)	62,287	(17,552)	44,735
Net income (loss)	-	-	-
Net assets, July 1, 2010	-	-	-
Net assets, June 30, 2011	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Litchfield Park, Arizona
Combining Statement of Cash Flows
Non-Major Proprietary Funds
Year ended June 30, 2011

	Business-Type Activities -		
	Enterprise Funds		
	Community Services	Special Events	Total
Cash flows from operating activities:			
Cash received for services	\$ 7,998	\$ 135,472	\$ 143,470
Cash paid to vendors	(38,924)	(89,924)	(128,848)
Cash paid to or on behalf of employees	<u>(30,733)</u>	<u>(27,996)</u>	<u>(58,729)</u>
Net cash (used for) provided by operating activities	(61,659)	17,552	(44,107)
Cash flows from noncapital financing activities:			
Transfers in from the general fund	62,287	-	62,287
Transfers out to the general fund	-	(17,552)	(17,552)
Negative cash balance implicitly financed	<u>(628)</u>	<u>-</u>	<u>(628)</u>
Net cash provided by (used for) noncapital financing activities	<u>61,659</u>	<u>(17,552)</u>	<u>44,107</u>
Net change in cash and cash equivalents	-	-	-
Cash and cash equivalents, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Cash and cash equivalents, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Reconciliation of operating income (loss) to net cash (used for) provided by operating activities:			
Operating (loss) gain	\$ (62,287)	\$ 17,552	\$ (44,735)
Adjustments to reconcile operating income (loss) to net cash (used for) provided by operating activities:			
Increase in accrued payroll and employee benefits	<u>628</u>	<u>-</u>	<u>628</u>
Net cash (used for) provided by operating activities	<u><u>\$ (61,659)</u></u>	<u><u>\$ 17,552</u></u>	<u><u>\$ (44,107)</u></u>

Schedules of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual for Major Debt Service and Capital Projects Funds

The following are budgetary comparison schedules for major debt service and capital projects funds with a legally adopted budget.

City of Litchfield Park, Arizona
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
Debt Service - CFD Fund
Year ended June 30, 2011

	Original and Final Budget	Actual	Variance Positive (Negative)
	<u> </u>	<u> </u>	<u> </u>
Revenues			
Taxes	\$ 480,738	\$ 376,449	\$ (104,289)
Developer contributions	55,716	145,369	89,653
Investment earnings	157	213	56
	<u> </u>	<u> </u>	<u> </u>
Total revenues	536,611	522,031	(14,580)
Expenditures			
Debt service	516,611	521,387	(4,776)
Miscellaneous	20,000	-	20,000
	<u> </u>	<u> </u>	<u> </u>
Total expenditures	536,611	521,387	15,224
Net change in fund balance	\$ -	\$ 644	\$ 644
	<u> </u>	<u> </u>	<u> </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, 2011

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Intergovernmental	\$ -	\$ 237,313	\$ 237,313
Total revenues	-	237,313	237,313
Expenditures			
Capital outlay	\$ 1,500,000	\$ 1,120,499	\$ 379,501
Deficiency of revenue over expenditures	(1,500,000)	(883,186)	(142,188)
Other financing sources			
Transfers in	<u>1,345,702</u>	<u>1,345,702</u>	<u>-</u>
Net change in fund balance	<u>\$ (154,298)</u>	<u>\$ 462,516</u>	<u>\$ 616,814</u>

Schedules of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual for Nonmajor Funds

The following are budgetary comparison schedules for those funds with a legally adopted budget.

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, 2011

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Intergovernmental	\$ 265,969	\$ 265,217	\$ (752)
Investment earnings	500	229	(271)
Total revenues	266,469	265,446	(1,023)
Expenditures			
Streets	79,500	49,750	29,750
Excess of revenues over expenditures	186,969	215,696	28,727
Other financing uses			
Transfers out	(186,969)	(215,696)	(28,727)
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
Court Enhancement
Year ended June 30, 2011

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Fines	\$ 32,000	\$ 26,010	\$ (5,990)
Investment earnings	-	182	182
Total revenues	32,000	26,192	(5,808)
Expenditures			
	<u>3,750</u>	<u>3,515</u>	<u>235</u>
Excess of revenue over expenditures	28,250	22,677	(5,573)
Other financing uses			
Transfers out	-	-	-
Net change in fund balance	<u>\$ 28,250</u>	<u>\$ 22,677</u>	<u>\$ (5,573)</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, 2011**

	Original and Final Budget	Actual	Variance Positive (Negative)
	<u> </u>	<u> </u>	<u> </u>
Revenues			
Special assessments	\$ 33,791	\$ 33,143	\$ (648)
Total revenues	33,791	33,143	(648)
Expenditures			
Streetlights	<u>33,791</u>	<u>33,970</u>	<u>(179)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (827)</u>	<u>\$ (827)</u>

**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, 2011**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Special assessments	\$ 149,107	\$ 136,350	\$ (12,757)
Total revenues	149,107	136,350	(12,757)
Expenditures			
Streetlights	149,107	149,831	(724)
Net change in fund balance	<u>\$ -</u>	<u>\$ (13,481)</u>	<u>\$ (13,481)</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, 2011

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Special assessments	\$ 29,346	\$ 28,616	\$ (730)
Total revenues	29,346	28,616	(730)
Expenditures			
Streetlights	<u>29,346</u>	<u>29,499</u>	<u>(153)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (883)</u>	<u>\$ (883)</u>

Capital Asset Schedules



City of Litchfield Park, Arizona
Schedule of Capital Assets - By Function and Activity
June 30, 2011

Function and Activity	Improvements							Total
	Vehicles	Machinery and Equipment	Office Equipment	Land	Building Improvements	Buildings	Construction in Progress and Infrastructure	
General government	\$ 94,140	\$ 6,831	\$ 95,790	\$ 757,924	\$ 57,164	\$ 177,002	\$ 1,079,749	\$ 2,424,273
Public safety	10,000	14,230	-	-	-	-	9,578	33,808
Highways and streets	-	-	-	-	-	-	18,047,012	18,047,012
Public works:								
Parks and right-of-way	631,547	340,385	-	-	-	-	2,999,124	3,971,056
Culture and recreation	-	19,826	-	-	-	-	1,000,000	1,019,826
Total capital assets	\$ 735,687	\$ 381,272	\$ 95,790	\$ 757,924	\$ 57,164	\$ 177,002	\$ 21,211,387	\$ 25,495,975
Less accumulated depreciation								(7,395,120)
Net capital assets								\$ 18,100,855

City of Litchfield Park, Arizona
Schedule of Changes in Capital Assets - By Function and Activity
Year Ended June 30, 2011

Function and Activity	Balance as of June 30, 2010	Additions	Deletions	Balance as of June 30, 2011
General government	\$ 2,379,027	\$ 57,010	\$ 11,764	\$ 2,424,273
Public safety	33,808	-	-	33,808
Highways and streets	16,831,774	1,292,187	76,949	18,047,012
Public works				
Parks and right-of-way	3,946,575	24,481	-	3,971,056
Culture and recreation	1,019,826	-	-	1,019,826
Total capital assets	<u>24,211,010</u>	<u>1,373,678</u>	<u>88,713</u>	<u>25,495,975</u>
Less accumulated depreciation	<u>(6,418,008)</u>	<u>(788,876)</u>	<u>11,764</u>	<u>(7,195,120)</u>
Net capital assets	<u>\$ 17,793,002</u>	<u>\$ 584,802</u>	<u>\$ 76,949</u>	<u>\$ 18,300,855</u>

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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 8 Fiscal Years
 (accrual basis of accounting)

	2004	2005	2006	2007	2008	2009	As restated 2010	2011
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	\$ 13,145,855
Restricted	439,148	2,039,661	2,257,299	2,182,068	2,159,887	2,163,839	2,378,283	2,456,808
Unrestricted	7,073,464	6,577,726	8,640,002	6,232,221	3,654,841	4,073,955	3,845,962	3,644,091
Total governmental activities net assets	\$ 10,743,606	\$ 12,555,935	\$ 14,858,990	\$ 16,187,499	\$ 16,329,754	\$ 17,250,098	\$ 18,672,247	\$ 19,246,754
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	\$ 152,816
Unrestricted	(309,931)	(308,014)	(308,031)	(111,469)	65,611	169,849	(172,989)	(152,816)
Total business-type activities net assets	\$ (43,909)	\$ (5,713)	\$ (36,836)	\$ 129,327	\$ 277,243	\$ 367,656	\$ -	\$ -
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	\$ 13,298,671
Restricted	439,148	2,039,661	2,257,299	2,182,068	2,159,887	2,163,839	2,378,283	2,262,936
Unrestricted	6,763,533	6,269,712	8,331,971	6,120,212	3,849,009	4,243,804	3,672,973	3,685,147
Total primary government net assets	\$ 10,699,697	\$ 12,550,222	\$ 14,822,154	\$ 16,316,286	\$ 16,735,554	\$ 17,617,754	\$ 18,672,247	\$ 19,246,754

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 so the City is not able to report a full ten years of historical information.

Source: Statement of Net Assets
 City financial records and reports

City of Litchfield Park, Arizona
Changes in Net Assets
Last 8 Fiscal Years
(accrual basis of accounting)

	2004	2005	2006	2007	2008	2009	As restated 2010	2011
Expenses								
Governmental activities:								
General government	\$ 829,512	\$ 1,182,171	\$ 1,064,018	\$ 1,227,191	\$ 1,385,707	\$ 1,321,161	\$ 1,341,656	\$ 1,211,802
Public safety	312,313	330,045	478,941	613,069	793,398	782,206	735,388	1,166,193
Public works	1,269,411	1,051,943	1,875,581	2,224,797	2,183,719	2,337,911	2,270,364	2,342,011
Streets	198,685	9,128	221,765	564,312	852,841	615,523	465,604	323,461
Streetlights	-	-	-	150,420	152,073	191,298	200,430	213,300
Interest on long-term debt	397,888	379,388	370,387	358,100	384,727	340,960	331,838	321,387
Total governmental activities expenses	\$ 3,007,809	\$ 2,952,675	\$ 4,010,692	\$ 5,137,889	\$ 5,752,465	\$ 5,589,059	\$ 5,345,280	\$ 5,578,154
Business-type activities:								
Recreation center	\$ 673,576	\$ 721,307	\$ 832,495	\$ 1,013,464	\$ 1,096,341	\$ 982,950	\$ 902,476	\$ 849,836
Total business-type activities expenses	673,576	721,307	832,495	1,013,464	1,096,341	982,950	902,476	849,836
Total primary government expenses	\$ 3,681,385	\$ 3,673,982	\$ 4,843,187	\$ 6,151,353	\$ 6,848,806	\$ 6,572,009	\$ 6,247,756	\$ 6,427,990
Program Revenues								
Governmental activities:								
Charges for services:								
General government	\$ -	\$ 252,251	\$ 279,238	\$ 187,555	\$ 25,165	\$ 24,355	\$ 53,662	\$ 51,850
Public safety	34,790	59,969	181,032	120,111	176,155	150,687	95,125	102,567
Public works	423,938	675,399	557,316	361,557	244,560	115,130	139,516	218,405
Streetlights	-	-	-	145,492	201,673	226,040	209,925	198,109
Capital grants and contributions	596,396	791,434	941,450	350,467	613,791	293,295	934,945	647,899
Total governmental activities program revenues	\$ 1,055,124	\$ 1,779,053	\$ 1,959,036	\$ 1,165,182	\$ 1,261,344	\$ 809,507	\$ 1,433,173	\$ 1,218,830
Business-type activities:								
Charges for services:								
Community and recreation services	\$ 314,519	\$ 329,873	\$ 368,520	\$ 489,143	\$ 472,709	\$ 501,163	\$ 491,767	\$ 527,654
Capital grants and contributions	-	-	-	-	40,852	-	-	-
Total business-type activities program revenues	314,519	329,873	368,520	489,143	513,561	501,163	491,767	527,654
Total primary government program revenues	\$ 1,369,643	\$ 2,108,926	\$ 2,327,556	\$ 1,654,325	\$ 1,774,905	\$ 1,310,670	\$ 1,924,940	\$ 1,746,484
Net (expense)/revenue								
Governmental Activities	\$ (1,952,685)	\$ (1,173,622)	\$ (2,051,656)	\$ (3,972,707)	\$ (4,491,121)	\$ (4,779,552)	\$ (3,912,107)	\$ (4,359,324)
Business-type activities	(359,057)	(391,434)	(463,975)	(524,321)	(582,780)	(481,787)	(410,709)	(322,182)
Total primary government net expense	\$ (2,311,742)	\$ (1,565,056)	\$ (2,515,631)	\$ (4,497,028)	\$ (5,073,901)	\$ (5,261,339)	\$ (4,322,816)	\$ (4,681,506)
General Revenues and Other Changes in Net Assets								
Governmental activities:								
Taxes								
City sales tax	\$ 2,746,573	\$ 2,397,068	\$ 3,478,540	\$ 3,882,231	\$ 3,808,889	\$ 3,852,348	\$ 3,791,850	\$ 4,209,664
Shared revenues	1,107,605	866,312	990,230	1,476,541	1,235,867	1,202,192	1,069,298	943,485
Miscellaneous	33,554	29,222	41,400	134,320	103,911	1,059,574	507,682	97,693
Investment income	56,807	117,979	277,391	498,608	343,962	29,425	8,479	6,814
Transfers	(303,701)	(429,630)	(432,851)	(690,484)	(741,948)	(560,948)	(43,053)	(323,825)
Total governmental activities	\$ 3,640,838	\$ 2,980,951	\$ 4,354,710	\$ 5,301,216	\$ 4,750,681	\$ 5,582,591	\$ 5,334,256	\$ 4,933,831
Business-type activities:								
Other income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1,643)
Transfers	303,701	429,630	432,851	690,484	741,948	560,948	43,053	323,825
Total business-type activities	303,701	429,630	432,851	690,484	741,948	560,948	43,053	322,182
Total primary government	\$ 3,944,539	\$ 3,410,581	\$ 4,787,561	\$ 5,991,700	\$ 5,492,629	\$ 6,143,539	\$ 5,377,309	\$ 5,256,013
Change in Net Assets								
Governmental activities	\$ 1,688,153	\$ 1,807,329	\$ 2,303,054	\$ 1,328,509	\$ 259,560	\$ 803,039	\$ 1,422,149	\$ 574,507
Business-type activities	(55,356)	38,196	(31,124)	166,163	159,168	79,161	(367,656)	-
Total primary government	\$ 1,632,797	\$ 1,845,525	\$ 2,271,930	\$ 1,494,672	\$ 418,728	\$ 882,200	\$ 1,054,493	\$ 574,507

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 8 Fiscal Years
 (accrual basis of accounting)

	2004	2005	2006	2007	2008	2009	As restated 2010	2011
General fund (1)								
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	3,398,944	-
Unassigned	-	-	-	-	-	-	-	-
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>\$ 3,398,944</u>	<u>\$ 2,792,493</u>
General fund as % of current year revenues ¹								
Reserved	7.10%	6.95%	5.27%	0.00%	0.00%	0.00%	0.00%	0.00%
Unreserved	85.49%	107.45%	117.06%	60.33%	36.63%	47.56%	67.74%	0.00%
Unassigned	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	53.42%
Total general fund	92.59%	114.39%	123.55%	60.33%	36.63%	47.56%	67.74%	53.42%
General fund as % of current year expenditures ²								
Reserved	12.14%	13.76%	9.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Unreserved	146.08%	212.91%	199.88%	92.17%	48.12%	57.11%	89.21%	0.00%
Unassigned	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	63.76%
Total general fund	158.22%	226.67%	206.53%	92.17%	48.12%	57.11%	89.21%	63.76%
All other governmental funds (1)								
Unreserved reported in:								
Special revenue funds	\$ 450,332	\$ 500,927	\$ 552,352	\$ 581,471	\$ 635,457	\$ 676,533	\$ 857,223	\$ -
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	334,772	-
Restricted	-	-	-	-	-	-	-	1,465,648
Committed	-	-	-	-	-	-	-	991,160
Unassigned	-	-	-	-	-	-	-	786,997
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>\$ 2,773,159</u>	<u>\$ 3,243,805</u>

¹Does not include other financing sources

²Does not include other financing uses

(1) Starting with FY 2011, the fund balance presentation has changed due to the implementation of GASB 54. The FY 2010 fund balance amounts were restated due to the implementation of GASB 54 in FY 2011 and for the correction of a prior year error. See Note 16 on Page 40 for details.

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 8 Fiscal Years
(accrual basis of accounting)

	2004	2005	2006	2007	2008	2009	As restated 2010	2011
Revenues								
Taxes	\$ 2,964,786	\$ 2,832,938	\$ 3,750,840	\$ 3,882,231	\$ 3,808,887	\$ 3,852,348	\$ 3,791,850	\$ 4,209,664
Special assessments	-	-	-	145,492	201,673	226,040	209,925	198,109
Licenses and permits	205,725	470,591	557,316	387,867	269,725	139,485	163,386	244,245
Intergovernmental	1,107,605	1,186,595	1,282,988	1,476,541	1,741,337	1,495,487	2,004,245	1,446,015
Developer contributions	465,066	471,151	648,692	350,467	108,321	-	-	145,369
Fines	34,790	59,969	181,032	120,111	176,155	150,687	124,917	128,577
Investment earnings	56,807	117,979	277,391	498,608	343,963	29,425	8,479	6,814
Miscellaneous	164,884	29,222	41,400	146,059	106,156	59,574	183,682	97,693
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>6,486,484</u>	<u>6,476,486</u>
Expenditures								
General government	712,148	849,792	1,025,663	1,185,622	1,332,758	1,274,152	1,272,862	1,167,422
Public safety	714,698	620,457	478,941	584,831	793,398	782,140	734,295	1,166,193
Public works	790,129	761,531	1,544,930	1,962,838	1,804,497	1,845,957	1,889,950	1,866,641
Streets	38,420	9,128	18,581	42,372	198,209	205,969	208,004	217,344
Streetlights	-	-	-	150,420	152,073	191,298	200,430	213,300
Capital outlay	4,537,689	893,585	539,066	2,673,931	3,752,043	2,311,273	1,180,663	1,136,179
Debt service								
Principal retirement	130,000	140,000	210,738	214,549	231,782	170,000	180,000	190,000
Interest and fiscal charges	397,888	379,388	370,387	358,100	379,758	350,962	341,838	331,387
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>	<u>6,288,466</u>
Excess of revenues over (under) expenditures	\$ (2,321,309)	\$ 1,514,564	\$ 2,551,353	\$ (165,287)	\$ (1,888,301)	\$ (1,178,705)	\$ 478,442	\$ 188,020
Other financing sources (uses)								
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	1,345,702
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>	<u>(1,669,527)</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>\$ 435,389</u>	<u>\$ (135,805)</u>
Debt service as a percentage of non-capital expenditures	19.0%	18.8%	15.9%	12.7%	12.5%	10.8%	10.8%	10.1%

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 8 Fiscal Years
 (accrual basis of accounting)

	2004	2005	2006	2007	2008	2009	2010	2011
City sales taxes ¹	\$ 2,746,573	\$ 2,397,068	\$ 3,478,540	\$ 3,556,977	\$ 3,202,601	\$ 3,133,350	\$ 3,075,611	\$ 3,619,867
Franchise taxes	218,213	223,428	272,300	325,254	232,274	220,264	194,971	213,348
Community Facilities District	-	-	-	298,668	374,011	498,734	521,268	376,449
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>	<u>\$ 4,209,664</u>

¹ 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 8 Fiscal Years
(accrual basis of accounting)

	2004	2005	2006	2007	2008	2009	As restated	
							2010	2011
State shared sales tax	\$ 317,893	\$ 347,363	\$ 408,099	\$ 430,374	\$ 416,141	\$ 360,262	\$ 332,289	\$ 352,682
Urban revenue sharing	343,445	350,244	398,905	514,089	637,226	676,822	584,612	440,723
HURF revenues	265,463	303,943	273,287	323,559	311,482	271,919	257,612	265,217
Auto in-lieu	154,352	163,108	183,226	188,060	182,500	165,108	152,400	150,080
LTAF revenues	26,452	21,937	19,471	20,459	30,281	21,376	12,298	-
Grants revenues	-	-	-	-	163,707	-	665,035	237,313
Total intergovernmental revenue	\$ 1,107,605	\$ 1,186,595	\$ 1,282,988	\$ 1,476,541	\$ 1,741,337	\$ 1,495,487	\$ 2,004,246	\$ 1,446,015

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

Fiscal Year	Primary Assessed Value	Net Secondary Assessed Value	Estimated Full-Cash Value	Ratio of Net Secondary Assessed Value to Estimated Full-Cash Value
2010-11	\$ 69,256,684	\$ 69,685,098	\$ 633,783,919	11.00%
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%

Source: Maricopa County Assessor - 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

Fiscal Year	City of Litchfield Park, Arizona	Maricopa County	Percent of Assessed Value to Maricopa County
2010-11	\$ 69,256,684	\$ 38,513,682,495	0.18%
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%

Source: Maricopa County Assessor - 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>2011</u>						
Primary	0	1.2407	1.0123	1.9408	1.6862	5.8800
Secondary	0	0	0.1959	1.3182	0.9900	2.5041
<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	7.4230
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	7.6232
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

Source: Maricopa County Department of Finance - Annual Tax Rate Publications

City of Litchfield Park, Arizona
Overlapping Debt
June 30, 2011

Overlapping Municipality	Secondary Assessed Valuation (thousands)	Gross Bonded Debt	Proportion Applicable to City of Litchfield Park		
			Percentage¹	Amount	Per Capita
City of Litchfield Park	\$ 69,685,098	\$ 5,155,000	100%	\$ 5,155,000	\$ 941.38
Total direct and general bonded debt		<u>5,155,000</u>		<u>5,155,000</u>	
Maricopa County	38,781,832,368	145,035,000	0.18%	260,606	47.59
Maricopa County Community College District	38,781,832,368	601,930,000	0.18%	1,081,577	197.51
Agua Fria Union High School District #216	1,024,008,384	48,410,000	6.81%	3,294,363	601.60
Litchfield Elementary School District #79	640,359,843	<u>31,950,000</u>	10.88%	<u>3,476,856</u>	634.93
Total overlapping general bonded debt		<u>827,325,000</u>		<u>8,113,402</u>	
Total overlapping and direct general bonded debt		<u>\$ 832,480,000</u>		<u>\$ 13,268,402</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.

¹ 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 Assessor - Annual Tax Abstracts
Arizona Department of Revenue - Bonded Indebtedness Reports
<http://www.azdor.gov/Portals/0/Bonding/FY10-Bonding-Report.pdf>

City of Litchfield Park, Arizona
Ratios of Outstanding Debt by Type
2004-2011

Fiscal Year Ended June 30,	Governmental Activities		Total Primary Government	Percentage of Actual Taxable Value of Property	Percentage of Median Household Income	Per Capita
	General Obligation Bonds	Capital Lease Obligations				
2011	\$ 5,155,000	\$ -	5,155,000	7.44%	1.55%	941
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%	¹	1,443
2004	6,295,000	-	6,295,000	13.35%	¹	1,590

¹ 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, 2011

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 2010-2011 secondary assessed valuation, the City had \$13,937,020 borrowing capacity in the 20% category and \$4,181,106 in the 6% category.

City of Litchfield Park, Arizona
General Obligation Bond Incurrence Capacity
As of June 30, 2011

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

Secondary Assessed Valuation - 2010-2011	\$ 69,685,098
Allowable 20% Debt	13,937,020
20% Debt Outstanding	-
Available Borrowing Capacity or Debt Margin	\$ 13,937,020

6% Limitation
All Other
General Obligation Bonds

Secondary Assessed Valuation - 2010-2011	\$ 69,685,098
Allowable 6% Debt	4,181,106
6% Debt Outstanding	-
Available Borrowing Capacity or Debt Margin	\$ 4,181,106

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 8 Fiscal Years

	Fiscal Year							
	2004	2005	2006	2007	2008	2009	2010	2011
20% Limitation								
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	\$ 13,937,020
Net Debt Applicable to the 20% Limit	-	-	-	-	-	-	-	-
Legal 20% Debt Margin (Available Borrowing Capacity)	\$ 8,390,428	\$ 10,174,859	\$ 12,312,677	\$ 18,721,103	\$ 23,734,376	\$ 22,681,497	\$ 17,823,221	\$ 13,937,020
Total Net Debt Applicable to the 20% Limit as a Percentage of 20% Debt Limit	0%	0%	0%	0%	0%	0%	0%	0%
6% Limitation								
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	\$ 4,181,106
Net Debt Applicable to the 6% Limit	-	-	-	-	-	-	-	-
Legal 6% Debt Margin (Available Borrowing Capacity)	\$ 2,424,881	\$ 3,052,458	\$ 3,693,803	\$ 5,616,331	\$ 7,120,313	\$ 6,804,449	\$ 5,346,966	\$ 4,181,106
Total Net Debt Applicable to the 6% Limit as a Percentage of 6% Debt Limit	0%	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

Fiscal Year	City of Litchfield Park Population¹	City of Litchfield Park Growth¹	City of Litchfield Park Unemployment Rate	Maricopa County Population¹	Maricopa County % Growth¹	Maricopa County Unemployment Rate	Elementary and High School Enrollment
2011	5,476	0.0%	8.2%	3,824,058	0.2%	8.8%	15,511
2010	5,476	0.6%	8.4%	3,817,117	-0.1%	9.1%	16,623
2009	5,445	1.2%	8.5%	3,821,136	0.3%	9.2%	16,286
2008	5,380	1.4%	4.7%	3,808,829	1.5%	5.0%	15,464
2007	5,307	4.0%	2.8%	3,753,413	2.4%	3.1%	14,238
2006	5,102	11.8%	3.4%	3,663,915	2.4%	3.6%	12,483
2005	4,563	10.2%	3.8%	3,577,074	3.2%	4.1%	11,285
2004	4,142	2.6%	4.2%	3,466,592	3.4%	4.5%	9,909
2003	4,038	2.0%	5.1%	3,353,875	2.8%	5.5%	8,320
2002	3,959	1.4%	5.3%	3,261,203	2.8%	5.7%	7,050

Income Figures

Median household income	\$	97,848
Per capita income	\$	44,331
Below \$10,000 ²		2.3%
Above \$75,000 ²		47.7%

¹ Updated based on 2010 census and 2011 Arizona Dept. of Administration data.

² Last available data is from 2000 census

Source: Population and Unemployment information obtained at www.workforce.az.gov
 Enrollment data obtained at AZ Dept. of Education website

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>
2011	\$ 10,456,868	31	\$ 117,447,041
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

Source: City departments and records

City of Litchfield Park, Arizona
Employment Statistics
June 30, 2011

Principal employers:

	2011		2010		2009		2008		2007	
	Number of employees	Percent of Total								
The Wigwam Golf Resort & Spa	460	73.13%	440	71.78%	440	70.74%	439	70.02%	452	70.63%
City of Litchfield Park (incl. seasonal)	79	12.56%	83	13.54%	92	14.79%	94	14.99%	94	14.69%
Litchfield Elementary School	90	14.31%	90	14.68%	90	14.47%	94	14.99%	94	14.69%
Total number of employees across all employers	629		613		622		627		640	

Authorized Positions by Function and Department
Last 8 Fiscal Years

	2004	2005	2006	2007	2008	2009	2010	2011
General government	1	1	2	2	2	2	2	2
City Manager								
City Clerk	3	4	5	5	5	5	4	4
Budget and Finance	2	2	2	3	3	3	3	3
Human Resources	1	1	1	1	1	1	1	1
Building Safety and Code Enforcement	2	2	2	3	3	3	3	3
Planning Services	-	-	-	1	1	1	1	1
Court	2	2	2	3	3	3	3	3
Public Works	11	13	17	17	17	16	17	17
Recreation and community services								
Recreation Services	35	36	36	37	37	37	37	37
Total	57	61	67	72	72	71	71	71

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.

Source: City departments and records

City of Litchfield Park, Arizona
Capital Assets Statistics by Function - Unaudited
June 30, 2011

<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

City of Litchfield Park, Arizona
Miscellaneous Statistics - Unaudited
June 30, 2011

Date of Incorporation

August 3, 1987

Form of Government

Council\Manager

<u>Population/Demographics¹</u>		<u>Public Safety</u>	
2010 Population	5,476	Police protection provided by Maricopa County Sheriffs Department	
Housing Units	2,716	Fire protection provided by the City of Goodyear Fire Department:	
Median household income	\$ 97,848	Number of fire stations	1
Per capita income	\$ 44,331		
 		<u>Education</u>	
<u>City employees as of June 30, 2011</u>		Litchfield Elementary School District:	
Full-time	31	Number of elementary/middle schools	14
Part-time (incl. seasonal)	48	Number of students	10,525
 		Agua Fria High School District:	
<u>Annexed area</u>		Number of high schools	4
Square miles	3.3	Number of students	6,743
Miles of streets	23	Estrella Mountain Community College	
		Number of students	13,000

¹ Population/Demographics based on 2010 decennial census.

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