

CITY OF LITCHFIELD PARK, ARIZONA
COMPREHENSIVE FINANCIAL ANNUAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013



THE CITY OF
Litchfield Park
DISCOVER THE PARK

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2013

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
Rosa Juarez, Accounting Clerk

City of Litchfield Park, Arizona
Comprehensive Annual Financial Report
Year Ended June 30, 2013

Table of Contents

Page No.

Introductory Section

Letter of Transmittal	<i>i-v</i>
Organizational Chart	<i>vi</i>
List of Elected and Appointed Officials	<i>vii</i>
Certificate of Achievement for Excellence in Financial Reporting.....	<i>viii</i>

Financial Section

Independent Auditor's Report	1-3
------------------------------------	-----

Management's Discussion and Analysis	4-14
---	------

Basic Financial Statements

Government-wide Financial Statements:

Statement of Net Position	15
Statement of Activities.....	16

Fund Financial Statements:

Balance Sheet – Governmental Funds	17
Reconciliation of the Balance Sheet to the Statement of Net Position – Governmental Activities	18
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	20

Table of Contents - Continued

Page No.

Basic Financial Statements- Continued

Statements of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual – General Fund.....	21
Statement of Net Position - Proprietary Funds	22
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds	23
Statement of Cash Flows - Proprietary Funds	24
Notes to the Financial Statements.....	25-41

Supplemental Information

Combining Statements – Non-Major Funds

Combining Balance Sheet – Non-Major Governmental Funds	42
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-Major Governmental Funds	43
Combining Statement of Net Position – Non-Major Proprietary Funds.....	44
Combining Statement of Revenues, Expenses and Changes in Net Position - Non-Major Proprietary Funds.....	45
Combining Statement of Cash Flows-Non-Major Proprietary Funds	46

***Schedules of Revenues, Expenditures and Changes
in Fund Balances – Budget and Actual***

Debt Service – CFD Fund.....	47
Capital Improvement Fund	48
Highway Users Revenue Fund.....	49
Court Enhancement Fund	50
Special Lighting Improvement District I.....	51

Table of Contents - Continued

Page No.

Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual - continued

Special Lighting Improvement District II.....	52
Special Lighting Improvement District III	53

Capital Assets Used in the Operations of Governmental Funds:

Schedule of Capital Assets by Function and Activity	54
Schedule of Changes in Capital Assets by Function and Activity.....	55

Statistical Section

Narrative Overview.....	56
Net Position by Component.....	57
Changes in Net Position.....	58
Fund Balances of Governmental Funds.....	59
Changes in Fund Balances of Governmental Funds	60
Governmental Activities Tax Revenues by Source	61
Governmental Activities Intergovernmental Revenues by Source	62
Assessed and Estimated Value of Taxable Property.....	63
Ratio of Assessed Value	64
Property Tax Rates – Direct and Overlapping Governments	65
Overlapping Debt.....	66
Ratios of Outstanding Debt by Type	67
Computation of Legal Debt Margin.....	68
Legal Debt Margin Information.....	69

Table of Contents - Continued

Page No.

Statistical Section - continued

Demographic and Economic Statistics	70
Building Permits, New Housing and Retail Sales	71
Employment Statistics	72
Capital Asset Statistics by Function	73
Miscellaneous Statistics	74

Introduction to Probability



January 20, 2014

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, Arizona for the fiscal year ended June 30, 2013.

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, 2013, 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, 2013, 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 21 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 relatively flat for fiscal year 2014. 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 reduced pace. The most significant construction activity over the last two years has occurred at the Wigwam Resort, Litchfield Elementary School and La Loma Village & Care Center, resulting in the extensive remodel or expansion of their facilities.

Many state and local governments in Arizona, including Litchfield Park, have begun to see slight increases in sales tax revenues over the last fiscal 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 the City's retail centers has helped to lessen the impact of the recent recession, keeping the City fiscally stable. With nearly 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 a slight upward trend in local sales tax revenues, which is the City's primary source of revenue. 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 ongoing revenues to apply toward the expanding operational needs of the City.

The City continued to work diligently during the 2013 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 the commencement of the Litchfield Road underpass project, continuation of the road maintenance and repair program, and the purchase of replacement capital equipment for public works operations.

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) requirements.
- **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, 2013.
- **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, 2012.

This was the twelfth 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.

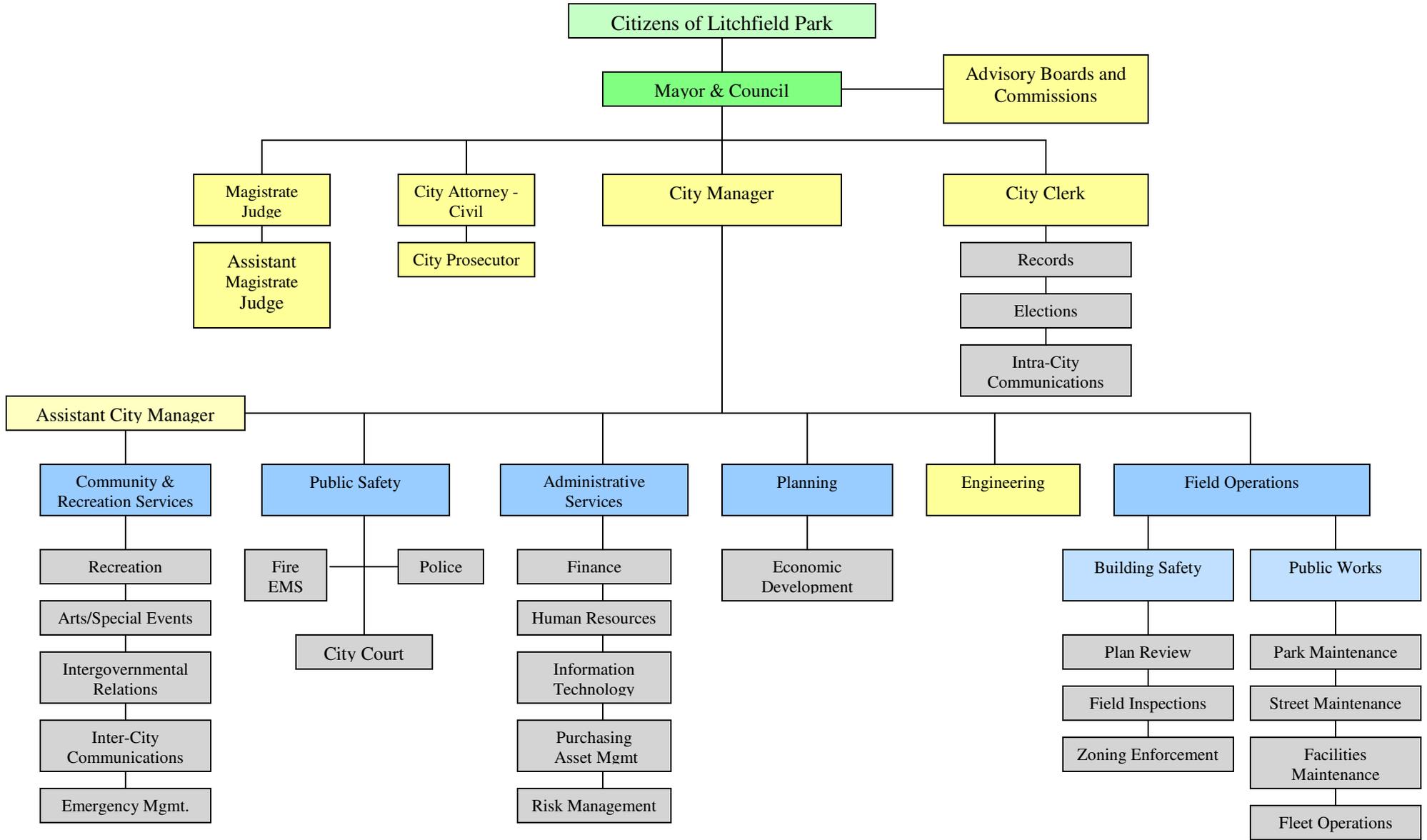
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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,

Benjamin Ronquillo
Finance Director

City of Litchfield Park, Arizona Organization Chart



Elected
 Appointed
 Employee
 Division
 Department
 Functions

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

City Council/Community Facilities District Board

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

Design Review Board/Board of Adjustment/Board of Appeals

David Ledyard, Chair BOA and Vice Chair DRB
Susan Charnetsky, Chair DRB and Vice Chair BOA
John Romack, City Council Representative
Brenda Searle-Sung, P&Z Commission Representative
Don Wooldridge
Mary Dickson (BOA only - Alternate)

IDA Board

John Manobianco
Robert Slagle
John Wenzlau
Michael Yates
Todd Kinney

Planning & Zoning Commission

Jeff Raible, Chair
Brenda Searle-Sung, Vice Chair
Mary Dickson
John Nelson
Frank Ross
Ed White
Vernon Williams

Recreation and Public Grounds Commission

JoAnn Dun, Chair
Andi Phillips, Vice Chair
Mike Hirth
Rob Antoniak
Christoph Gerz
Glenn O'Keefe
David Schwake

Beautification Committee

Andrea Phillips
Robin Inskeep
Andi Phillips
David Schwake
Lisa Wolfe

Tree Board

JoAnn Dun, Chair
Rob Antoniak
David Schwake
Christoph Gerz



Government Finance Officers Association

**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, 2012

Executive Director/CEO

NOI+CVS I-ai.ChaHi.F



Walker & Armstrong LLP

CERTIFIED PUBLIC ACCOUNTANTS

3838 North Central Avenue
Suite 1700
Phoenix, Arizona 85012
602.230.1040
602.230.1065 (Fax)

www.wa-cpas.com

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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 activities, each major fund, and the aggregate remaining fund information of City of Litchfield Park, Arizona, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the general fund for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

For the year ended June 30, 2013, the City implemented the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis (MD&A) on pages 4 through 14 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.

Other Information

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 and individual nonmajor fund financial statements 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. Such information has been subjected to the auditing procedures applied in 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, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or 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, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the use of Highway User Revenue Fund monies and other dedicated state transportation revenues, insofar as they relate to accounting matters.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Walker & Armstrong, LLP

Phoenix, Arizona
January 20, 2014

City of Litchfield Park, Arizona
Management's Discussion and Analysis
June 30, 2013

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, 2013. 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 \$19,610,330 (*net position*). Of this amount, \$589,433 (*unrestricted net position*) may be used to meet the City's obligations to citizens and creditors.
- The City's total net position increased by \$349,159.
- As of the close of the current fiscal year, the City of Litchfield Park's governmental funds reported combined ending fund balances of \$10,744,680 an increase of \$4,405,410 in comparison with the prior year. \$3,868,184 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 \$3,886,091, or 79 percent of total general fund expenditures.

The City of Litchfield Park's long-term liabilities increased by \$3,729,232 (73 percent) during the current fiscal year resulting primarily from refinancing the principal for the Village at Litchfield Park Community Facilities District bonds, for which repayment of the obligations refinanced did not occur until July 2013. Additional information on the City's long-term liabilities can be found in Note 9 on page 38 of this report.

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.

Management's Discussion and Analysis - Continued

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

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in the net position 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, recreation, and special events.

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 15-16 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 42-43 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 17-20 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 47-53.

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 22-24 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 25-41 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$19,610,330 at the close of the most recent fiscal year.

The largest portion of the City's net position (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 smallest portion of the City's net position (4 percent) represents unrestricted net position, which may be used to meet the City's ongoing obligations to citizens and creditors.

Governmental activities change in net position decreased from \$14,417 in 2012 to \$349,159 in 2013.

Business-type activities consist primarily of the City's recreation center which incurred a decrease in net position before transfers of \$339,325 which was offset by transfers from the general fund.

The following table summarizes the statement of net position at June 30, 2013 and 2012:

City of Litchfield Park's Net Position

	Governmental activities		Business-type activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$12,356,047	\$ 7,266,863	\$ (121,273)	\$ (68,646)	\$ 12,234,774	\$ 7,198,217
Capital assets	17,210,165	17,823,602	220,724	169,623	17,430,889	17,993,225
Total assets	29,566,212	25,090,465	99,451	100,977	29,665,663	25,191,442
Long-term liabilities outstanding	3,971,187	4,794,737	7,850	-	3,979,037	4,794,737
Other liabilities	5,984,695	1,034,557	91,601	100,977	6,076,296	1,135,534
Total liabilities	9,955,882	5,829,294	99,451	100,977	10,055,333	5,930,271
Net assets:						
Net investment in capital assets	13,270,165	12,868,602	220,724	169,623	13,490,889	13,038,225
Restricted for:						
Public works	763,370	732,228	-	-	763,370	732,228
Debt Service	4,766,638	1,540,799	-	-	4,766,638	1,540,799
Unrestricted	810,157	4,119,542	(220,724)	(169,623)	589,433	3,949,919
Total net position	\$19,610,330	\$19,261,171	\$ -	\$ -	\$ 19,610,330	\$ 19,261,171

At the end of the current fiscal year, the City is able to report a positive balance in governmental activities unrestricted net position of \$810,157.

Management's Discussion and Analysis - Continued

Governmental activities. Governmental activities increased the City's net position by \$349,159. Key elements of this increase are summarized in the following schedule:

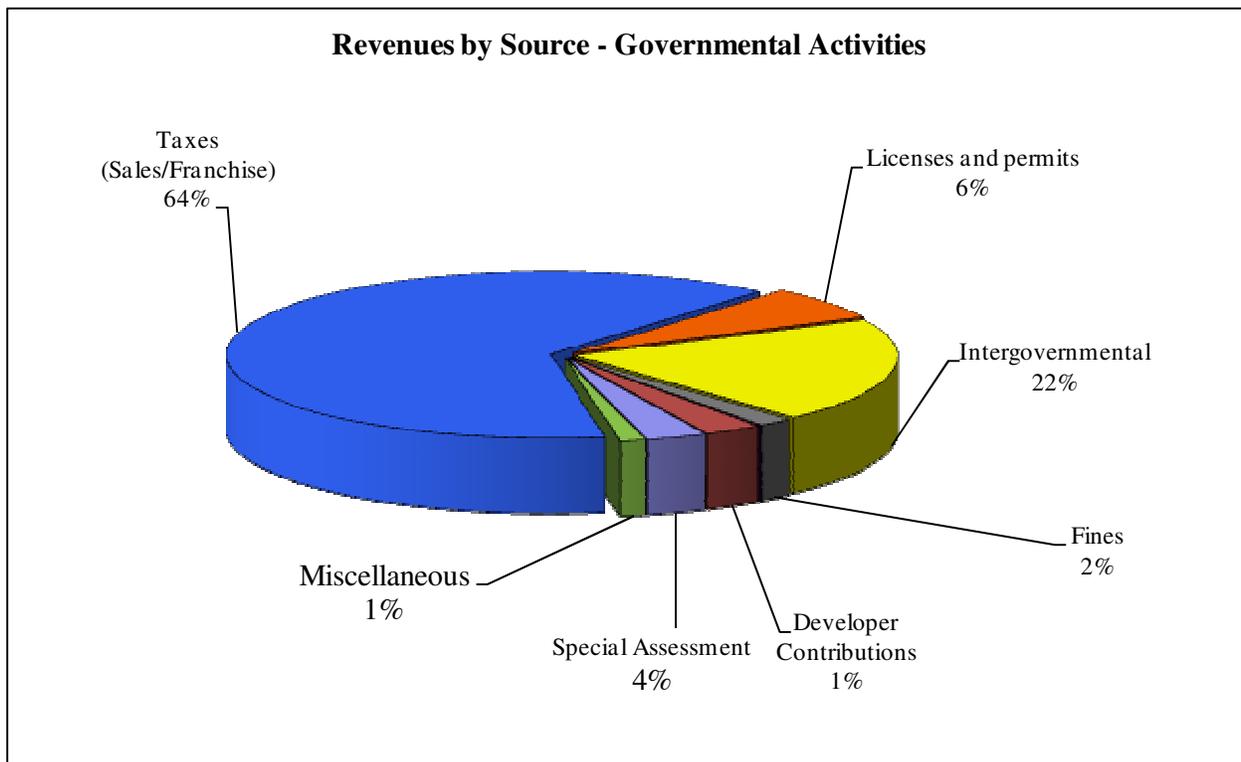
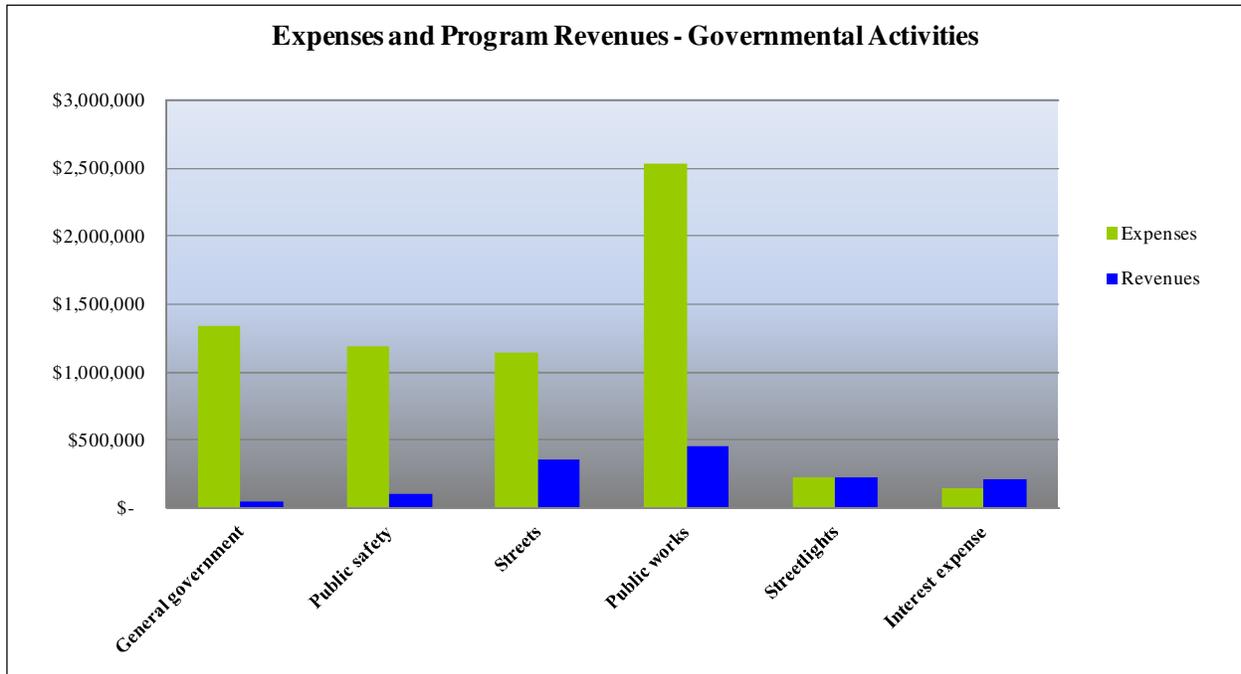
City of Litchfield Park's Changes in Net Position						
	Governmental activities		Business-type activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ 837,116	\$ 707,976	\$ 602,240	\$ 559,871	\$ 1,439,356	\$ 1,267,847
Capital grants and contributions	563,429	436,744	-	-	563,429	436,744
General revenues:						
Taxes	4,791,360	4,059,911	-	-	4,791,360	4,059,911
Intergovernmental	1,190,797	1,065,828	-	-	1,190,797	1,065,828
Other	105,999	96,006	-	-	105,999	96,006
Total revenues	7,488,701	6,366,465	602,240	559,871	8,090,941	6,926,336
Expenses:						
General government	1,343,144	1,340,887	-	-	1,343,144	1,340,887
Public safety	1,185,866	1,165,910	-	-	1,185,866	1,165,910
Public works	2,536,120	2,250,313	-	-	2,536,120	2,250,313
Streets	1,139,038	745,600	-	-	1,139,038	745,600
Streetlights	225,161	218,914	-	-	225,161	218,914
Interest on long-term debt	297,787	310,386	-	-	297,787	310,386
Community and recreation svcs.	-	-	1,014,666	879,909	1,014,666	879,909
Total expenses	6,727,116	6,032,010	1,014,666	879,909	7,741,782	6,911,919
Change in net position before transfers	761,585	334,455	(412,426)	(320,038)	349,159	14,417
Transfers	(412,426)	(320,038)	412,426	320,038	-	-
Change in net position	349,159	14,417	-	-	349,159	14,417
Net position - beginning	19,261,171	19,246,754	-	-	19,261,171	19,246,754
Net position - ending	\$ 19,610,330	\$ 19,261,171	\$ -	\$ -	\$ 19,610,330	\$ 19,261,171

As reported above, overall governmental activities revenues increased by \$1,122,236. The increase is primarily the result of an increase in tax revenues of \$731,449, and an increase in charges for services of \$129,140. The increase in tax revenues resulted primarily from a \$744,663 increase in City Sales, Use and Bed taxes, offset by a decrease in sales tax audit assessments totaling \$13,480. The increase in charges for service revenue was primarily from increased activity for building permits.

Governmental activities expenses increased by \$267,976 which was primarily the result of an increase in public works and street related expenses resulting from an increase in street repairs and maintenance.

Management's Discussion and Analysis - Continued

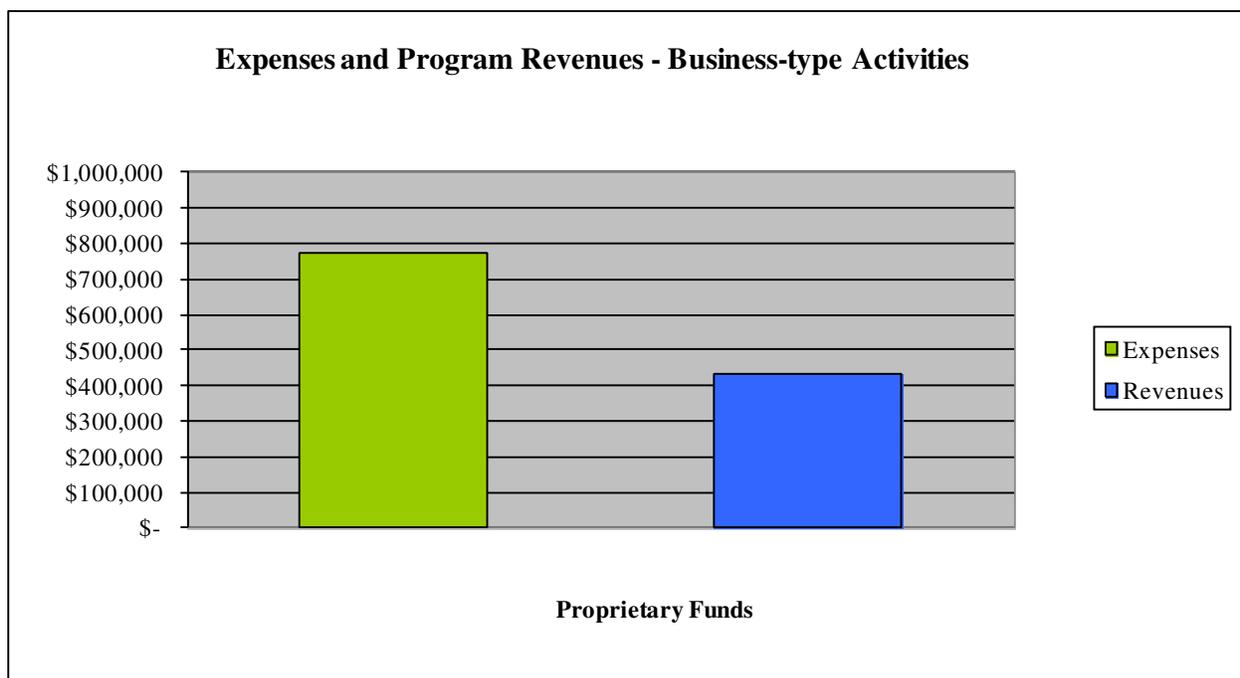
The following graphs provide comparisons of the governmental activities direct program revenues with their expenses and a comparison of specific revenue types.



Management's Discussion and Analysis - Continued

Business-type activities. Operating revenues of the enterprise funds increased \$42,369 (8 percent) in fiscal year 2013. Operating expenses of the enterprise fund increased by \$134,757 (15 percent) during the same period. The increase in revenues is primarily the result of increases in recreation services program activities and special programs. The increase in operating expense is mostly related to increases in administrative cost incurred to support the increase in recreation service activities. 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 expenses.



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 \$10,744,680, an increase of \$4,405,410 in comparison with the prior year. Of this balance, unassigned fund balance totaled \$3,868,184, 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 \$3,886,091. 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 79 percent of total general fund expenditures, which indicates that the City has sufficient resources to meet ongoing obligations. During the current fiscal year, the fund balance of the City's general fund increased by \$1,146,832. The key factors of this change is an increase in City sales, use and bed taxes in addition to a transfer into the general fund from the City's debt service fund. This transfer resulted from a release of monies originally restricted for debt service in the debt service fund that was contractually released to the general fund during the refinancing of the Village at Litchfield Park Community Facility District bonds in June 2013.

The debt service fund has a total fund balance of \$4,766,638, all of which is restricted for the payment of debt service for the Village at Litchfield Park Community Facilities District. The net increase in debt service fund's fund balance during the current year was \$3,225,839. The increase is primarily the result of proceeds received for the refinancing of principal for the Village at Litchfield Park Community Facilities District bonds. The principal repayment of the refinanced obligations did not occur until July 2013. Additional information on the City's long-term liabilities can be found in Note 9 on pages 38-39 of this report.

The capital improvement fund incurred \$588,591 in expenditures for various street related infrastructure projects. Also, during the year the general fund made a transfer to the capital improvement fund in the amount of \$553,387 which offset the funds deficit of revenues over expenditures.

Non-major fund revenues were consistent with the prior year while expenditures increased by \$46,507 primarily from an increase in expenditures for streets and streetlight related activities.

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

Unrestricted net position of the community and recreation services operation at the end of the year was \$0. Operating revenues increased by \$42,369, due to an increase in special program activity while operating expenses increased by \$134,757 due to increased administrative cost and cost of special programs activities. The net loss of \$412,426 was offset by a transfer in from the general fund.

Management's Discussion and Analysis - Continued

General Fund Budgetary Highlights

Licenses and permits revenues were greater than budgeted by \$338,528. The variance is primarily the result of greater than anticipated revenues for building permits.

Taxes revenues were greater than budgeted by \$785,218. The variance is primarily the result of greater than anticipated City sales, use and bed tax revenues.

Miscellaneous revenues were less than budgeted by \$207,267. The variance is primarily the result of less than anticipated project revenues expected to be received for capital projects during 2013.

Public works maintenance expenditures were less than budgeted by \$209,096. The variance is primarily the result of less than anticipated cost for maintenance of City properties.

General fund expenditures were within the final approved expenditure budget limits, which eliminated the need to draw upon existing fund balance.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business type activities as of June 30, 2013, amounts to \$17,430,889 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, construction in progress, and infrastructure. The net decrease 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 machinery and equipment for the City's public works department.

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

	Governmental activities		Business-type activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 2,079,749	\$ 2,079,749	\$ 31,000	\$ 31,000	\$ 2,110,749	\$ 2,110,749
Construction in progress	1,697,139	1,595,642	-	-	1,697,139	1,595,642
Buildings	94,063	99,963	60,639	80,756	154,702	180,719
Building improvements	175,577	224,834	-	-	175,577	224,834
Leasehold improvements	-	-	116,619	47,401	116,619	47,401
Infrastructure	12,479,331	13,143,725	-	-	12,479,331	13,143,725
Land improvements	534,446	560,350	-	-	534,446	560,350
Machinery and equipment	106,278	70,527	12,466	10,466	118,744	80,993
Office equipment	2,233	13,278	-	-	2,233	13,278
Vehicles	41,349	35,534	-	-	41,349	35,534
Total	\$ 17,210,165	\$ 17,823,602	\$ 220,724	\$ 169,623	\$ 17,430,889	\$ 17,993,225

Management's Discussion and Analysis - Continued

Additional information on the City's capital assets can be found in Note 7 on pages 35-36 of this report.

Long-term liabilities. During 2013, the City entered into an agreement to refinance the principal for the Village at Litchfield Park Community Facilities District bonds. The purpose of the refinancing was to reduce the City's annual interest expense through a more favorable interest rate. Subsequent repayment of the refinanced obligations did not occur until July 2013, resulting in total year-end bonded debt outstanding of \$8,685,000 as of June 30, 2013, an increase of \$3,768,483 in comparison to the prior year's balance.

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 9 on pages 38-39 of this report.

Economic Factors and Next Year's Budgets and Rates

- The City continues to have no general property tax rate to support its operations. Sales taxes continue to be the primary source of revenue for the City. The City administers four special assessment districts within the city including three street light assessment districts and a community facilities district. The assessments from these districts are used to support the costs of each individual district.
- After several years of reduced construction activity, the City has seen increases in both commercial and residential construction throughout the City. Development of new models by the residential developers has spurred increases in home construction. Commercial construction is taking place primarily at locations that had been previously developed, and less on vacant parcels.
- The City has accumulated cash reserves over the last several fiscal years as a stabilization factor and to meet its capital project needs in the event of revenue shortfalls. The City has budgeted a portion of these reserves toward capital improvement projects in fiscal year 2014.
- The City has seen a slight increase in sales tax revenues in fiscal year 2013. The City anticipates that such revenues will show a slight increase during fiscal year 2014. Increases will serve to reduce the amount of cash reserves used toward meeting current capital needs.

Management's Discussion and Analysis - Continued

- The City increased its economic development efforts during fiscal year 2013 and is continuing these efforts to help expand its tax base through the development of its remaining vacant commercial parcels. The development of these vacant commercial parcels is a key factor in developing ongoing revenues in support of the City's operations and services to its citizens.

These factors were considered in preparing the City's budget for the 2014 fiscal year.

Requests for Information

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

City of Litchfield Park, Arizona
Statement of Net Position
June 30, 2013

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 8,577,549	\$ 250	\$ 8,577,799
Investments	2,912,088	-	2,912,088
Receivables (net of allowance for uncollectibles):			
Accounts	64,162	20,248	84,410
Interest	14	-	14
Internal balances	141,771	(141,771)	-
Due from other governments	389,045	-	389,045
Deferred charges	271,418	-	271,418
Capital assets, not being depreciated	3,776,888	31,000	3,807,888
Capital assets, being depreciated, net	<u>13,433,277</u>	<u>189,724</u>	<u>13,623,001</u>
Total assets	29,566,212	99,451	29,665,663
Liabilities			
Accounts payable	557,018	-	557,018
Accrued payroll and related liabilities	135,520	26,022	161,542
Interest payable	148,894	-	148,894
Unearned revenue	268,012	34,178	302,190
Due to other governments	5,505	-	5,505
Noncurrent liabilities:			
Due within one year	4,869,746	31,401	4,901,147
Due in more than one year	<u>3,971,187</u>	<u>7,850</u>	<u>3,979,037</u>
Total liabilities	<u>9,955,882</u>	<u>99,451</u>	<u>10,055,333</u>
Net Position			
Net investment in capital assets	13,270,165	220,724	13,490,889
Restricted for:			
Public works	763,370	-	763,370
Debt service	4,766,638	-	4,766,638
Unrestricted	<u>810,157</u>	<u>(220,724)</u>	<u>589,433</u>
Total net position	<u>\$ 19,610,330</u>	<u>\$ -</u>	<u>\$ 19,610,330</u>

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

City of Litchfield Park, Arizona
Statement of Activities
Year ended June 30, 2013

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Capital Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	Total
Governmental activities:						
General government	\$ 1,343,144	\$ 53,015	\$ -	\$ (1,290,129)	\$ -	\$ (1,290,129)
Public safety	1,185,866	107,392	-	(1,078,474)	-	(1,078,474)
Public works	2,536,120	452,893	-	(2,083,227)	-	(2,083,227)
Streets	1,139,038	-	351,116	(787,922)	-	(787,922)
Streetlights	225,161	223,816	-	(1,345)	-	(1,345)
Interest on long-term debt	297,787	-	212,313	(85,474)	-	(85,474)
Total governmental activities	6,727,116	837,116	563,429	(5,326,571)	-	(5,326,571)
Business-type activities:						
Recreation services	772,783	433,458	-	-	(339,325)	(339,325)
Community services	77,076	8,000	-	-	(69,076)	(69,076)
Special events	164,807	160,782	-	-	(4,025)	(4,025)
Total business-type activities	1,014,666	602,240	-	-	(412,426)	(412,426)
Total primary government	7,741,782	1,439,356	563,429	(5,326,571)	(412,426)	(5,738,997)
General revenues:						
Taxes						
Sales and use tax				4,179,555	-	4,179,555
Franchise tax				220,663	-	220,663
Property tax, levied for debt service				391,142	-	391,142
State shared tax revenue - unrestricted				1,190,797	-	1,190,797
Investment income				11,416	-	11,416
Other income				94,583	-	94,583
Transfers				(412,426)	412,426	-
Total general revenues and transfers				5,675,730	412,426	6,088,156
Change in net position				349,159	-	349,159
Net position, July 1, 2012				19,261,171	-	19,261,171
Net position, June 30, 2013				\$ 19,610,330	\$ -	\$ 19,610,330

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

City of Litchfield Park, Arizona
Balance Sheet
Governmental Funds
June 30, 2013

	<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	\$ 3,244,594	\$ -	\$ -	\$ 235,574	\$ 3,480,168
Cash with fiscal agent	-	5,097,381	-	-	5,097,381
Investments	2,774,512	-	-	137,576	2,912,088
Accounts receivable	57,831	3,069	-	3,262	64,162
Interest receivable	-	14	-	-	14
Due from other governments	360,693	-	-	28,352	389,045
Due from other funds	212,041	40,068	1,149,935	596,541	1,998,585
Total assets	<u>\$ 6,649,671</u>	<u>\$ 5,140,532</u>	<u>\$ 1,149,935</u>	<u>\$ 1,001,305</u>	<u>\$ 13,941,443</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 557,018	\$ -	\$ -	\$ -	\$ 557,018
Accrued payroll and related benefits	135,520	-	-	-	135,520
Due to other governments	5,505	-	-	-	5,505
Current bonds payable	-	225,000	-	-	225,000
Interest payable	-	148,894	-	-	148,894
Unearned revenue	268,012	-	-	-	268,012
Due to other funds	1,797,525	-	-	59,289	1,856,814
Total liabilities	2,763,580	373,894	-	59,289	3,196,763
Fund balances					
Restricted	-	4,766,638	-	763,370	5,530,008
Committed	-	-	1,149,935	196,553	1,346,488
Unassigned	3,886,091	-	-	(17,907)	3,868,184
Total fund balances	<u>3,886,091</u>	<u>4,766,638</u>	<u>1,149,935</u>	<u>942,016</u>	<u>10,744,680</u>
Total liabilities and fund balances	<u>\$ 6,649,671</u>	<u>\$ 5,140,532</u>	<u>\$ 1,149,935</u>	<u>\$ 1,001,305</u>	<u>\$ 13,941,443</u>

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

City of Litchfield Park, Arizona
Reconciliation of the Balance Sheet to the Statement of Net Position
Governmental Activities
June 30, 2013

Total fund balances **\$ 10,744,680**

Amounts reported for governmental activities in the statement of net position 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 \$26,045,435 and the accumulated depreciation is \$8,835,270. 17,210,165

Unamortized deferred issuance cost is an asset amortized over the life of its originating loan and therefore is not reported in the funds. 271,418

Compensated absences liability is not due and payable in the current period and therefore is not reported in the funds. (155,933)

Long-term bonds payable are not due and payable in the current period and therefore are not reported in the funds. (8,460,000)

Net position of governmental funds **\$ 19,610,330**

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, 2013

	<u>General</u>	<u>Debt Service-CFD</u>	<u>Capital Improvement</u>	<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Taxes	\$ 4,400,218	\$ 391,142	\$ -	\$ -	\$ 4,791,360
Special assessments	-	-	-	223,816	223,816
Licenses and permits	483,528	-	-	-	483,528
Intergovernmental	1,206,900	-	35,204	299,809	1,541,913
Developer contributions	-	212,313	-	-	212,313
Fines	107,392	-	-	22,380	129,772
Investment earnings	11,013	10	-	393	11,416
Miscellaneous	94,583	-	-	-	94,583
Total revenues	<u>6,303,634</u>	<u>603,465</u>	<u>35,204</u>	<u>546,398</u>	<u>7,488,701</u>
Expenditures					
<i>Current</i>					
General government	1,277,876	-	-	-	1,277,876
Public safety	1,185,866	-	-	-	1,185,866
Public works	2,357,130	-	-	-	2,357,130
Streets	85,088	-	372,986	96,948	555,022
Streetlights	-	-	-	225,161	225,161
<i>Capital outlay</i>	-	-	215,605	-	215,605
<i>Debt service</i>					
Principal retirement	-	225,000	-	-	225,000
Interest and fiscal charges	-	297,787	-	-	297,787
Cost of issuance	-	271,418	-	-	271,418
Total expenditures	<u>4,905,960</u>	<u>794,205</u>	<u>588,591</u>	<u>322,109</u>	<u>6,610,865</u>
Excess (deficiency) of revenues over expenditures	1,397,674	(190,740)	(553,387)	224,289	877,836
Other financing sources (uses)					
Transfers in	538,571	-	553,387	-	1,091,958
Transfers out	(789,413)	(523,421)	-	(191,550)	(1,504,384)
Bond proceeds	-	3,940,000	-	-	3,940,000
Total other financing sources (uses)	<u>(250,842)</u>	<u>3,416,579</u>	<u>553,387</u>	<u>(191,550)</u>	<u>3,527,574</u>
Net change in fund balances	1,146,832	3,225,839	-	32,739	4,405,410
Fund balances at July 1, 2012	<u>2,739,259</u>	<u>1,540,799</u>	<u>1,149,935</u>	<u>909,277</u>	<u>6,339,270</u>
Fund balances at June 30, 2013	<u>\$ 3,886,091</u>	<u>\$ 4,766,638</u>	<u>\$ 1,149,935</u>	<u>\$ 942,016</u>	<u>\$ 10,744,680</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, 2013

Net change in fund balances - total governmental funds		\$ 4,405,410
<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	\$ 215,605	
Depreciation expense	<u>(829,042)</u>	(613,437)
Principal maturation of bonds payable		225,000
The issuance of long-term debt obligations provides current financial resources to governmental funds, however, issuances do not affect net position balances.		(3,940,000)
Governmental funds report the cost of issuance on debt obligations as an expenditure. However, in the statement of activities, debt issuance costs are allocated over the life of the related obligation and reported as amortization expense.		271,418
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.		
Decrease in compensated absences		<u>768</u>
Change in net position of governmental activities		<u>\$ 349,159</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, 2013

	<u>Original Budget</u>	<u>Amendments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues					
Taxes	\$ 3,615,000	\$ -	\$ 3,615,000	\$ 4,400,218	\$ 785,218
Licenses and permits	145,000	-	145,000	483,528	338,528
Intergovernmental	1,198,500	-	1,198,500	1,206,900	8,400
Fines	85,000	-	85,000	107,392	22,392
Investment earnings	3,800	-	3,800	11,013	7,213
Miscellaneous	<u>301,850</u>	<u>-</u>	<u>301,850</u>	<u>94,583</u>	<u>(207,267)</u>
Total revenues	5,349,150	-	5,349,150	6,303,634	954,484
Expenditures					
City manager's office	248,744	5,600	254,344	249,614	4,730
City attorney	197,000	-	197,000	132,937	64,063
Mayor and city council	12,000	-	12,000	7,265	4,735
City clerk's office	422,249	-	422,249	367,424	54,825
Finance and human resources	436,687	-	436,687	402,848	33,839
Public works maintenance	2,382,987	-	2,382,987	2,173,891	209,096
Building safety and zoning enforcement	189,139	-	189,139	184,677	4,462
Planning services	150,009	-	150,009	110,522	39,487
Engineering services	140,000	-	140,000	85,088	54,912
Magistrate court	179,705	-	179,705	145,889	33,816
Public safety	<u>1,036,225</u>	<u>9,600</u>	<u>1,045,825</u>	<u>1,045,805</u>	<u>20</u>
Total expenditures	<u>5,394,745</u>	<u>15,200</u>	<u>5,409,945</u>	<u>4,905,960</u>	<u>503,985</u>
Excess (deficiency) of revenues over expenditures	(45,595)	(15,200)	(60,795)	1,397,674	1,458,469
Other financing sources (uses)					
Transfers out	<u>(1,723,930)</u>	<u>1,473,088</u>	<u>(250,842)</u>	<u>(250,842)</u>	<u>-</u>
Net change in fund balance	<u>\$ (1,769,525)</u>	<u>\$ 1,457,888</u>	<u>\$ (311,637)</u>	<u>\$ 1,146,832</u>	<u>\$ 1,458,469</u>

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

City of Litchfield Park, Arizona
Statement of Net Position
Proprietary Funds
June 30, 2013

	Business-Type Activities		Total
	Enterprise Funds		
	Recreation Services	Non-Major Funds	
Assets			
<i>Current assets:</i>			
Cash on hand	\$ 250	\$ -	\$ 250
Accounts receivable	20,248	-	20,248
Due from other funds	-	10,981	10,981
Total current assets	<u>20,498</u>	<u>10,981</u>	<u>31,479</u>
<i>Noncurrent assets:</i>			
Capital assets, not being depreciated	31,000	-	31,000
Capital assets, being depreciated, net	189,724	-	189,724
Total noncurrent assets	<u>220,724</u>	<u>-</u>	<u>220,724</u>
Total assets	<u>241,222</u>	<u>10,981</u>	<u>252,203</u>
Liabilities			
<i>Current liabilities:</i>			
Accrued payroll and related	26,022	-	26,022
Due to other funds	152,752	-	152,752
Unearned revenue	34,178	-	34,178
Compensated absences payable, current portion	22,616	8,785	31,401
Total current liabilities	<u>235,568</u>	<u>8,785</u>	<u>244,353</u>
<i>Noncurrent liabilities:</i>			
Compensated absences payable, net of current portion	5,654	2,196	7,850
Net position			
Net investment in capital assets	220,724	-	220,724
Unrestricted	(220,724)	-	(220,724)
Total net position	<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 Position
Proprietary Funds
Year ended June 30, 2013

	Business-Type Activities - Enterprise Funds		
	Recreation Services	Non-Major Funds	Total
Operating revenues			
Current use charges	\$ 50,281	\$ 8,000	\$ 58,281
Special programs	383,177	160,782	543,959
Total operating revenues	433,458	168,782	602,240
Operating expenses			
Administrative	515,930	75,876	591,806
Operating	140,558	75	140,633
Special programs	83,012	165,932	248,944
Depreciation	33,283	-	33,283
Total operating expenses	772,783	241,883	1,014,666
Operating loss before transfers	(339,325)	(73,101)	(412,426)
Transfers			
Transfers in	339,325	73,101	412,426
Net income	-	-	-
Net position, July 1, 2012	-	-	-
Net position, June 30, 2013	\$ -	\$ -	\$ -

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, 2013

	Business-Type Activities -		
	Enterprise Funds		
	Recreation Services	Non-Major Funds	Total
Cash flows from operating activities:			
Cash received for services	\$ 411,928	\$ 168,782	\$ 580,710
Cash paid to suppliers	(223,780)	(164,808)	(388,588)
Cash paid to or on behalf of employees	(518,142)	(74,897)	(593,039)
Net cash used for operating activities	(329,994)	(70,923)	(400,917)
Cash flows from noncapital financing activities:			
Transfers in from the general fund	339,325	73,101	412,426
Negative cash balance implicitly financed	75,053	(2,178)	72,875
Net cash provided by noncapital financing activities	414,378	70,923	485,301
Cash flows from capital and related financing activities:			
Purchase of capital assets	(84,384)	-	(84,384)
Net cash used for capital and related financing activities	(84,384)	-	(84,384)
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	\$ (339,325)	\$ (73,101)	\$ (412,426)
Adjustments to reconcile operating loss to net cash used for operating activities:			
Depreciation	33,283	-	33,283
Increase in accounts receivable	(20,248)	-	(20,248)
Decrease in accrued payroll and related	(30,692)	-	(28,514)
Decrease in unearned revenue	(1,282)	-	(1,282)
Increase in compensated absences payable	28,270	2,178	30,448
Net cash used for operating activities	\$ (329,994)	\$ (70,923)	\$ (400,917)

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

City of Litchfield Park, Arizona
Notes to Financial Statements
Year Ended June 30, 2013

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.

For the year ended June 30, 2013, the City implemented the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures.

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.

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 9. 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. The City also provides budgetary and other financial oversight which meet the criteria for a blended component unit. Separate financial statements of the component unit are not prepared.

Notes to Financial Statements - Continued

Note 1 - Summary of Significant Accounting Policies - Continued

In addition, Special Lighting Improvement Districts I, II and III are blended component units that have the same governing board as the City and were established to provide street lighting to neighborhoods within the District's boundaries. The City also provides budgetary and other financial oversight which meet the criteria for blended component units. Separate financial statements of these component units are not prepared.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) 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.

Notes to Financial Statements - Continued

Note 1 - Summary of Significant Accounting Policies - Continued

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.

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 position available to finance the program. The City applies grant resources to such programs before using general revenues.

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.

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.

Notes to Financial Statements - Continued

Note 1 - Summary of Significant Accounting Policies - Continued

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 services. 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.

D. Assets, Liabilities and Net position 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.

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

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, 2013).

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.

Notes to Financial Statements - Continued

Note 1 - Summary of Significant Accounting Policies - Continued

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.

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

Note 1 - Summary of Significant Accounting Policies - Continued

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 an unlimited amount of sick leave, but are entitled to no more than 400 hours of unused sick leave upon retirement. 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 2013, the City paid for compensated absences as follows: 81 percent from the general fund and 19 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 position.

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.

Notes to Financial Statements - Continued

Note 1 - Summary of Significant Accounting Policies - Continued

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 formal action of 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 taking the same type of action employed to previously commit those amounts.

Assigned fund balances are resources constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. City Council has authorized the City Manager, Elected Officials and the Finance Director to make assignments of resources for a specific purpose by a resolution approved by the Council in a public meeting.

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.

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.

Notes to Financial Statements - Continued

Note 2 – Budgetary Basis of Accounting - Continued

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	\$ 397,083
Streetlights	98,588
Transportation	<u>267,699</u>
Total	<u>\$ 763,370</u>

Note 4 – Individual Fund Deficits

Special Lighting Improvement Districts I and III had deficit fund balances totaling \$4,717 and \$13,190, 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.

Note 5 – Cash, Bank Deposits and Investments

Cash and Bank Deposits

At June 30, 2013, the cash on hand was \$500. The carrying amount of the City's deposits was \$3,479,668 and the bank balance was \$3,539,182. \$250,000 of the bank balance was covered by Federal Depository Insurance while \$3,289,182 was uninsured but collateralized by U.S. Treasury notes 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, 2013:

Cash on hand	\$ 500
Unrestricted bank deposits	<u>3,479,668</u>
	<u>\$ 3,480,168</u>

Notes to Financial Statements - Continued

Note 5 – Cash, Bank Deposits and Investments - Continued

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, 2013, investments in LGIP Pool 5 had an average Standard and Poor's rating of AAA and investments in LGIP Pool 7 had a weighted average Standard and Poor's rating of AA+. The City has no formal policy regarding credit risk.

Concentration of Credit Risk: At June 30, 2013, 78% of the City's total investments were in U.S. Treasury money market funds. State statutes do not include any requirements for concentration of credit risk nor does the City have a policy addressing such risks.

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 \$5.1 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.

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.

Notes to Financial Statements - Continued

Note 5 – Cash, Bank Deposits and Investments – Continued

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, 2013, all investments have a maturity of less than one year.

	Fair Value
U.S. Treasury Money Market Funds	\$ 5,097,381
State Treasurer’s Local Government Investment Pools	2,912,088
	\$ 8,009,469

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	\$ 3,480,168
Cash with fiscal agent:	
U.S. Treasury Money Market Fund	5,097,381
State Treasurer’s Local Government Investment Pool	2,912,088
Total cash and investments	\$ 11,489,637

Consisting of:

Cash and cash equivalents	\$ 8,577,549
Investments	2,912,088
Total cash and investments	\$ 11,489,637

Note 6 - Due from Other Governments

Amounts due from other governments at June 30, 2013 consist of the following:

	Governmental Activities
City sales tax	\$ 306,065
State sales tax	39,024
Vehicle license tax	8,886
Highway user fund	28,352
Other	6,718
	\$ 389,045

Notes to Financial Statements - Continued

Note 7 - Capital Assets

Governmental activities capital asset activity for the year ended June 30, 2013 was as follows:

	<u>Balance,</u> <u>June 30, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance,</u> <u>June 30, 2013</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 2,079,749	\$ -	\$ -	\$ 2,079,749
Construction in progress	<u>1,595,642</u>	<u>101,497</u>	<u>-</u>	<u>1,697,139</u>
Total capital assets, not being depreciated	<u>3,675,391</u>	<u>101,497</u>	<u>-</u>	<u>3,776,888</u>
<i>Capital assets, being depreciated:</i>				
Buildings	177,002	-	-	177,002
Building improvements	303,447	-	-	303,447
Infrastructure	19,679,816	-	-	19,679,816
Land improvements	757,924	-	-	757,924
Machinery and equipment	396,024	78,579	-	474,603
Office equipment	95,790	-	-	95,790
Vehicles	<u>744,436</u>	<u>35,529</u>	<u>-</u>	<u>779,965</u>
Total capital assets, being depreciated	<u>22,154,439</u>	<u>114,108</u>	<u>-</u>	<u>22,268,547</u>
<i>Less accumulated depreciation for:</i>				
Buildings	(77,039)	(5,900)	-	(82,939)
Building improvements	(78,613)	(49,257)	-	(127,870)
Infrastructure	(6,536,091)	(664,394)	-	(7,200,485)
Land improvements	(197,574)	(25,904)	-	(223,478)
Machinery and equipment	(325,497)	(42,828)	-	(368,325)
Office equipment	(82,512)	(11,045)	-	(93,557)
Vehicles	<u>(708,902)</u>	<u>(29,714)</u>	<u>-</u>	<u>(738,616)</u>
Total accumulated depreciation	<u>(8,006,228)</u>	<u>(829,042)</u>	<u>-</u>	<u>(8,835,270)</u>
Total capital assets, being depreciated, net	<u>14,148,211</u>	<u>(714,934)</u>	<u>-</u>	<u>13,433,277</u>
Governmental activities capital assets, net	<u>\$ 17,823,602</u>	<u>\$ (613,437)</u>	<u>\$ -</u>	<u>\$ 17,210,165</u>

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

General government	\$ 75,033
Highways and streets	573,835
Public safety	1,184
Public works	<u>178,990</u>
Total depreciation expense-governmental activities	<u>\$ 829,042</u>

Notes to Financial Statements - Continued

Note 7 - Capital Assets - Continued

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 (the "Homestead"), pursuant to an annexation and development agreement between the City and the Trustees of the Homestead. 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.

Business-type activities changes in capital assets for the year ended June 30, 2013 were as follows:

	<u>Balance,</u> <u>June 30, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance,</u> <u>June 30, 2013</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	492,611	-	-	492,611
Building improvements	72,386	77,774	-	150,160
Furniture and fixtures	7,225	-	-	7,225
Equipment	20,851	6,610	-	27,461
Total capital assets, being depreciated	<u>593,073</u>	<u>84,384</u>	<u>-</u>	<u>677,457</u>
<i>Less accumulated depreciation for:</i>				
Recreation center	(411,855)	(20,117)	-	(431,972)
Building improvements	(24,985)	(8,556)	-	(33,541)
Furniture and fixtures	(7,225)	-	-	(7,225)
Equipment	(10,385)	(4,610)	-	(14,995)
Total accumulated depreciation	<u>(454,450)</u>	<u>(33,283)</u>	<u>-</u>	<u>(487,733)</u>
Total capital assets, being depreciated, net	<u>138,623</u>	<u>51,101</u>	<u>-</u>	<u>189,724</u>
Proprietary fund activities capital assets, net	<u>\$ 169,623</u>	<u>\$ 51,101</u>	<u>\$ -</u>	<u>\$ 220,724</u>

Notes to Financial Statements - Continued

Note 8 - Interfund Receivables and Payables

The composition of interfund receivables and payables as of June 30, 2013, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Capital improvement fund	General fund	\$1,149,935
Non-major governmental funds	General fund	596,541
Debt service-CFD funds	General fund	40,068
General fund	Non-major governmental funds	59,289
General fund	Recreation center	152,752
Enterprise funds	General fund	10,981
		<u>\$2,009,566</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.

	<u>Transfers In:</u>				<u>Total</u>
	<u>Governmental Funds</u>		<u>Enterprise Fund</u>		
	<u>General Fund</u>	<u>Capital Improvement Fund</u>	<u>Recreation Center</u>	<u>Non-Major Funds</u>	
Transfers Out:					
General fund	\$ -	\$ 376,987	\$ 339,325	\$ 73,101	\$ 789,413
Debt service fund	523,421	-	-	-	523,421
Non-major governmental funds	15,150	176,400	-	-	191,550
Total transfers out	<u>\$ 538,571</u>	<u>\$ 553,387</u>	<u>\$ 339,325</u>	<u>\$ 73,101</u>	<u>\$ 1,504,384</u>

In the governmental fund financial statements, total transfers out of \$1,504,384 are greater than total transfers in of \$1,091,958 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. The transfer between the debt service fund and the general fund of \$523,421 was made from monies held in reserve by the debt service fund and released pursuant to the refinancing of the City funds held in Village at Litchfield Park Community Facilities District term bonds dated September 1, 2001 (see note 9 below for more information). Transfers between non-major governmental funds to the general fund were made from the Court Enhancement fund.

Notes to Financial Statements - Continued

Note 9 - Long-Term Debt

A summary of long-term debt activity for the year ended June 30, 2013 follows:

	<u>Balance</u> <u>June 30, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2013</u>	<u>Due Within</u> <u>One Year</u>
Governmental activities					
Compensated absences	\$ 156,701	\$ 155,933	\$ (156,701)	\$ 155,933	\$ 124,746
Community Facilities District general obligation bonds	<u>4,955,000</u>	<u>3,940,000</u>	<u>(210,000)</u>	<u>8,685,000</u>	<u>4,745,000</u>
Total	<u>\$ 5,111,701</u>	<u>\$ 4,095,933</u>	<u>\$ (366,701)</u>	<u>\$ 8,840,933</u>	<u>\$ 4,869,746</u>
Business-type activities					
Compensated absences	<u>\$ 36,620</u>	<u>\$ 39,251</u>	<u>\$ (36,620)</u>	<u>\$ 39,251</u>	<u>\$ 31,401</u>
Total	<u>\$ 36,620</u>	<u>\$ 39,251</u>	<u>\$ (36,620)</u>	<u>\$ 39,251</u>	<u>\$ 31,401</u>

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.

On June 11, 2013, the City entered into an agreement to refinance the Village at Litchfield Park Community Facilities District term bonds dated September 1, 2001. The purpose of the refinancing was to obtain a more favorable interest rate in which the interest rates were reduced from a range of 5.50% to 6.38% to a single interest rate of 2.90%. Principal and interest payments on the bond obligations 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 \$348,005 during 2013 while principal and interest totaled \$420,311). The refinancing of this obligation resulted in an economic gain of \$894,920 and a decrease in future debt service payments of \$2,348,041. The City incurred debt issuance costs of \$271,418 in which, this cost was capitalized as a deferred charge and will be amortized over the term of the new bond obligations.

Notes to Financial Statements - Continued

Note 9 - Long-Term Debt - Continued

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

Year Ending June 30,	Principal	Interest
2014	\$ 4,745,000	216,815
2015	250,000	110,635
2016	260,000	103,240
2017	270,000	95,555
2018	275,000	87,653
2019-2023	1,510,000	311,315
2024-2027	1,375,000	81,128
Total	<u>\$ 8,685,000</u>	<u>\$ 1,006,341</u>

Note 10 – Major Revenue Sources

The City has a concentration in revenue resulting from 79% of total revenues being generated from local sales, use, franchise and property taxes.

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 attorney 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 \$5 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.

Notes to Financial Statements - Continued

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, 2012 through June 30, 2013 and the City exercised its option to extend its contract through June 30, 2014. Under the terms of the contract, the City paid \$503,331 to Maricopa County during the year ended June 30, 2013.

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, 2013 the City paid a total of \$506,896 for these services.

During 2012, the Maricopa County Superior Court granted an order of immediate possession to the City authorizing the purchase of land located within the City's boundaries. The remaining issue related to this order is the determination of the value of the property being acquired and the related compensation due to the defendant. The City's appraiser valued the property at \$733,406 and the defendant's appraiser valued the property at \$1,515,100. If a mutually agreeable purchase price cannot be determined, the City will reconsider whether to finalize the property purchase.

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) 240-2000 or
P.O. Box 33910	(800) 621-3778
Phoenix, AZ 85067-3910	
www.azasrs.gov	

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, 2013, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.14% (10.90 % retirement and 0.24 % long-term disability) of the members' annual covered payroll.

Notes to Financial Statements - Continued

Note 13 - Arizona State Retirement System - Continued

The City was required by statute to contribute at the actuarially determined rate of 11.14% (10.25% for retirement, 0.65% for health insurance premium and 0.24% for long-term disability) of the members' annual covered payroll. The City's contributions to ASRS for the years ended June 30, 2013, 2012, and 2011 were \$207,368, \$174,466, and \$167,526 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, 2013	\$ 189,423	\$ 13,478	\$ 4,467
June 30, 2012	\$ 153,013	\$ 17,067	\$ 4,386
June 30, 2011	\$ 146,266	\$ 17,008	\$ 4,252

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, 2013, there were fifteen 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, 2013 totaled \$75,076, 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, 2013 the City paid a total of \$31,752 for these services

Note 16 – Subsequent Event

On July 15, 2013 the City paid \$4,893,894 to Village at Litchfield Park Community Facilities District bondholders to settle the outstanding bonds refinanced pursuant to an agreement finalized on June 11, 2013.

Supplemental Mental Information

City of Litchfield Park, Arizona
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2013

	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	\$ -	\$ -	\$235,574	\$ -	\$ -	\$ -	\$ 235,574
Investments	89,827	47,749	-	-	-	-	137,576
Accounts receivable	-	-	1,809	287	901	265	3,262
Due from other governments	28,352	-	-	-	-	-	28,352
Due from other funds	<u>278,904</u>	<u>219,950</u>	<u>-</u>	<u>-</u>	<u>97,687</u>	<u>-</u>	<u>596,541</u>
Total assets	<u>\$ 397,083</u>	<u>\$267,699</u>	<u>\$237,383</u>	<u>\$ 287</u>	<u>\$ 98,588</u>	<u>\$ 265</u>	<u>\$1,001,305</u>
Liabilities and Fund Balances							
Liabilities:							
Due to other funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,830</u>	<u>\$ 5,004</u>	<u>\$ -</u>	<u>\$ 13,455</u>	<u>\$ 59,289</u>
Total liabilities	-	-	40,830	5,004	-	13,455	59,289
Fund balances:							
Restricted	397,083	267,699	-	-	98,588	-	763,370
Committed	-	-	196,553	-	-	-	196,553
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,717)</u>	<u>-</u>	<u>(13,190)</u>	<u>(17,907)</u>
Total fund balances	<u>397,083</u>	<u>267,699</u>	<u>196,553</u>	<u>(4,717)</u>	<u>98,588</u>	<u>(13,190)</u>	<u>942,016</u>
Total liabilities and fund balances	<u>\$ 397,083</u>	<u>\$267,699</u>	<u>\$237,383</u>	<u>\$ 287</u>	<u>\$ 98,588</u>	<u>\$ 265</u>	<u>\$1,001,305</u>

City of Litchfield Park, Arizona
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Non-Major Governmental Funds
Year ended June 30, 2013

	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	\$ -	\$ -	\$ -	\$ 33,539	\$ 154,096	\$ 36,181	\$ 223,816
Intergovernmental	299,809	-	-	-	-	-	299,809
Fines	-	-	22,380	-	-	-	22,380
Investment earnings	<u>169</u>	<u>-</u>	<u>224</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>393</u>
Total revenues	299,978	-	22,604	33,539	154,096	36,181	546,398
Expenditures							
Streets	96,948	-	-	-	-	-	96,948
Streetlights	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,136</u>	<u>149,584</u>	<u>41,441</u>	<u>225,161</u>
Total expenditures	<u>96,948</u>	<u>-</u>	<u>-</u>	<u>34,136</u>	<u>149,584</u>	<u>41,441</u>	<u>322,109</u>
Excess (deficiency) of revenues over expenditures	203,030	-	22,604	(597)	4,512	(5,260)	224,289
Other financing uses							
Transfers out	<u>(176,400)</u>	<u>-</u>	<u>(15,150)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(191,550)</u>
Net change in fund balances	26,630	-	7,454	(597)	4,512	(5,260)	32,739
Fund balances (deficit), July 1, 2012	<u>370,453</u>	<u>267,699</u>	<u>189,099</u>	<u>(4,120)</u>	<u>94,076</u>	<u>(7,930)</u>	<u>909,277</u>
Fund balances (deficit), June 30, 2013	<u><u>\$ 397,083</u></u>	<u><u>\$ 267,699</u></u>	<u><u>\$ 196,553</u></u>	<u><u>\$ (4,717)</u></u>	<u><u>\$ 98,588</u></u>	<u><u>\$ (13,190)</u></u>	<u><u>\$ 942,016</u></u>

City of Litchfield Park, Arizona
Combining Statement of Net Position
Non-Major Proprietary Funds
June 30, 2013

	Enterprise Funds		
	Community Services	Special Events	Total
Assets			
Due from other funds	\$ 9,857	\$ 1,124	\$ 10,981
Total assets	9,857	1,124	10,981
Liabilities			
Accrued payroll and related	\$ 9,857	\$ 1,124	\$ 10,981
Total liabilities	9,857	1,124	10,981
Net Position	-	-	-
Total net position	\$ -	\$ -	\$ -

City of Litchfield Park, Arizona
Combining Statement of Revenues, Expenses, and
Changes in Net Position
Non-Major Proprietary Funds
Year ended June 30, 2013

	<u>Enterprise Funds</u>		Total Funds
	<u>Community Services</u>	<u>Special Events</u>	
Operating revenues			
Current use charges	\$ 8,000	\$ -	\$ 8,000
Special programs	<u>-</u>	<u>160,782</u>	<u>160,782</u>
Total operating revenues	8,000	160,782	168,782
Operating expenses			
Administrative	39,050	36,826	75,876
Operating	-	75	75
Special programs	<u>38,026</u>	<u>127,906</u>	<u>165,932</u>
Total operating expenses	<u>77,076</u>	<u>164,807</u>	<u>241,883</u>
Loss before transfers	(69,076)	(4,025)	(73,101)
Transfers in	<u>69,076</u>	<u>4,025</u>	<u>73,101</u>
Net income (loss)	-	-	-
Net position, July 1, 2012	<u>-</u>	<u>-</u>	<u>-</u>
Net position, June 30, 2013	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Litchfield Park, Arizona
Combining Statement of Cash Flows
Non-Major Proprietary Funds
Year ended June 30, 2013

	Business-Type Activities -		
	Enterprise Funds		
	Community Services	Special Events	Total
Cash flows from operating activities:			
Cash received for services	\$ 8,000	\$ 160,782	\$ 168,782
Cash paid to vendors	(38,026)	(126,782)	(164,808)
Cash paid to or on behalf of employees	(37,996)	(36,901)	(74,897)
Net cash used for operating activities	(68,022)	(2,901)	(70,923)
Cash flows from noncapital financing activities:			
Transfers in from the general fund	69,076	4,025	73,101
Negative cash balance implicitly financed	(1,054)	(1,124)	(2,178)
Net cash provided by noncapital financing activities	68,022	2,901	70,923
Net change in cash and cash equivalents	-	-	-
Cash and cash equivalents, beginning of year	-	-	-
Cash and cash equivalents, end of year	\$ -	\$ -	\$ -
 Reconciliation of operating loss to net cash used for operating activities:			
Operating loss	\$ (69,076)	\$ (4,025)	\$ (73,101)
Adjustments to reconcile operating loss to net cash used for operating activities:			
Increase in accrued payroll and employee benefits	1,054	1,124	2,178
Net cash used for operating activities	\$ (68,022)	\$ (2,901)	\$ (70,923)

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, 2013

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Taxes	\$ 406,306	\$ 391,142	\$ (15,164)
Developer contributions	127,624	212,313	84,689
Investment earnings	157	10	(147)
Total revenues	<u>534,087</u>	<u>603,465</u>	<u>69,378</u>
Expenditures			
Debt service	514,087	794,205	(280,118)
Miscellaneous	20,000	-	20,000
Total expenditures	<u>534,087</u>	<u>794,205</u>	<u>(260,118)</u>
Excess of revenues over (under) expenditures	<u>-</u>	<u>(190,740)</u>	<u>(190,740)</u>
Other financing sources (uses)			
Transfers out	-	(523,421)	(523,421)
Bond proceeds	-	3,940,000	3,940,000
Net change in fund balance	<u>\$ -</u>	<u>\$ 3,225,839</u>	<u>\$ 3,225,839</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, 2013

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Intergovernmental	\$ -	\$ 35,204	\$ 35,204
Total revenues	-	35,204	35,204
Expenditures			
General government	-	372,986	(372,986)
Capital outlay	1,500,000	215,605	1,284,395
Total expenditures	1,500,000	588,591	911,409
Deficiency of revenue over expenditures	(1,500,000)	(553,387)	946,613
Other financing sources			
Transfers in	1,500,000	553,387	(946,613)
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
Highway Users Revenue Fund
Year ended June 30, 2013

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Intergovernmental	\$ 276,000	\$ 299,809	\$ 23,809
Investment earnings	-	169	169
Total revenues	276,000	299,978	23,978
Expenditures			
Streets	99,600	96,948	2,652
Excess of revenues over expenditures	176,400	203,030	26,630
Other financing uses			
Transfers out	(176,400)	(176,400)	-
Net change in fund balance	<u>\$ -</u>	<u>\$ 26,630</u>	<u>\$ 26,630</u>

City of Litchfield Park, Arizona
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Court Enhancement Fund
Year ended June 30, 2013

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Fines	\$ 15,150	\$ 22,380	\$ 7,230
Investment earnings	-	224	224
Total revenues	15,150	22,604	7,454
Expenditures			
Public safety	-	-	-
Excess (deficiency) of revenue over expenditures	15,150	22,604	7,454
Other financing uses			
Transfers out	(15,150)	(15,150)	-
Net change in fund balance	\$ -	\$ 7,454	\$ 7,454

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, 2013

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Special assessments	\$ 33,612	\$ 33,539	\$ (73)
Total revenues	33,612	33,539	(73)
Expenditures			
Streetlights	<u>33,977</u>	<u>34,136</u>	<u>(159)</u>
Net change in fund balance	<u>\$ (365)</u>	<u>\$ (597)</u>	<u>\$ (232)</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, 2013**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Special assessments	\$ 152,264	\$ 154,096	\$ 1,832
Total revenues	152,264	154,096	1,832
Expenditures			
Streetlights	<u>149,318</u>	<u>149,584</u>	<u>(266)</u>
Net change in fund balance	<u>\$ 2,946</u>	<u>\$ 4,512</u>	<u>\$ 1,566</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, 2013

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Special assessments	\$ 42,008	\$ 36,181	\$ (5,827)
Total revenues	42,008	36,181	(5,827)
Expenditures			
Streetlights	<u>35,621</u>	<u>41,441</u>	<u>(5,820)</u>
Net change in fund balance	<u>\$ 6,387</u>	<u>\$ (5,260)</u>	<u>\$ (11,647)</u>

City of Litchfield Park, Arizona
Schedule of Capital Assets - By Function and Activity
June 30, 2013

Function and Activity	Vehicles	Machinery and Equipment	Office Equipment	Improvements			Construction in Progress and Infrastructure	Land	Total
				Land	Building Improve- ments	Buildings			
General government	\$ 102,889	\$ 6,831	\$ 95,790	\$ 757,924	\$ 208,014	\$ 177,002	\$ 155,673	\$ 1,079,749	\$ 2,583,872
Public safety	10,000	14,230	-	-	-	-	9,578	-	33,808
Highways and streets	-	-	-	-	-	-	18,129,613	-	18,129,613
Public works:									
Parks and right-of-way	631,547	469,248	-	-	95,433	-	3,082,088	-	4,278,316
Culture and recreation	-	19,826	-	-	-	-	-	1,000,000	1,019,826
Total capital assets	<u>\$ 744,436</u>	<u>\$ 510,135</u>	<u>\$ 95,790</u>	<u>\$ 757,924</u>	<u>\$ 303,447</u>	<u>\$ 177,002</u>	<u>\$ 21,376,952</u>	<u>\$ 2,079,749</u>	26,045,435
Less accumulated depreciation									(8,835,270)
Net capital assets									<u>\$ 17,210,165</u>

City of Litchfield Park, Arizona
Schedule of Changes in Capital Assets - By Function and Activity
Year Ended June 30, 2013

Function and Activity	Balance as of June 30, 2012	Additions	Deletions	Balance as of June 30, 2013
General government	\$ 2,575,964	\$ -	\$ -	\$ 2,575,964
Public safety	33,808	-	-	33,808
Highways and streets	18,118,991	18,530	-	18,137,521
Public works				
Parks and right-of-way	4,081,241	197,075	-	4,278,316
Culture and recreation	1,019,826	-	-	1,019,826
Total capital assets	<u>25,829,830</u>	<u>215,605</u>	<u>-</u>	<u>26,045,435</u>
Less accumulated depreciation	(8,006,228)	(829,042)	-	(8,835,270)
Net capital assets	<u>\$ 17,823,602</u>	<u>\$ (613,437)</u>	<u>\$ -</u>	<u>\$ 17,210,165</u>

NOI + CQS I + QS I + S I + S I + S

City of Litchfield Park, Arizona Statistical Section Schedules

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

Financial Trends

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

- Net Position by Component
- Changes in Net Position
- 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.

- Building permits, New Housing Units and Retail Sales
- Employment Statistics
- Capital Asset Statistics by Function
- Miscellaneous Statistics

City of Litchfield Park, Arizona
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	2004	2005	2006	2007	2008	2009	As restated 2010	2011	2012	2013
Governmental activities										
Net investment in capital assets	\$ 3,230,994	\$ 3,938,548	\$ 3,961,689	\$ 7,773,210	\$ 10,515,026	\$ 11,012,304	\$ 12,448,002	\$ 13,145,855	\$ 12,868,602	\$ 13,270,165
Restricted	439,148	2,039,661	2,257,299	2,182,068	2,159,887	2,163,839	2,378,283	2,456,808	2,273,027	5,530,008
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	4,119,542	810,157
Total governmental activities net position	\$ 10,743,606	\$ 12,555,935	\$ 14,858,990	\$ 16,187,499	\$ 16,329,754	\$ 17,250,098	\$ 18,672,247	\$ 19,246,754	\$ 19,261,171	\$ 19,610,330
Business-type activities										
Net investment in capital assets	\$ 266,022	\$ 302,301	\$ 271,195	\$ 240,796	\$ 211,632	\$ 197,807	\$ 172,989	\$ 152,816	\$ 169,623	\$ 220,724
Unrestricted	(309,931)	(308,014)	(308,031)	(111,469)	65,611	169,849	(172,989)	(152,816)	(169,623)	(220,724)
Total business-type activities net position	\$ (43,909)	\$ (5,713)	\$ (36,836)	\$ 129,327	\$ 277,243	\$ 367,656	\$ -	\$ -	\$ -	\$ -
Primary government										
Net investment in capital assets	\$ 3,497,016	\$ 4,240,849	\$ 4,232,884	\$ 8,014,006	\$ 10,726,658	\$ 11,210,111	\$ 12,620,991	\$ 13,298,671	\$ 13,038,225	\$ 13,490,889
Restricted	439,148	2,039,661	2,257,299	2,182,068	2,159,887	2,163,839	2,378,283	2,262,936	2,273,027	5,530,008
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	3,949,919	589,433
Total primary government net position	\$ 10,699,697	\$ 12,550,222	\$ 14,822,154	\$ 16,316,286	\$ 16,735,554	\$ 17,617,754	\$ 18,672,247	\$ 19,246,754	\$ 19,261,171	\$ 19,610,330

Source: Statement of Net Position
City financial records and reports

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

	2004	2005	2006	2007	2008	2009	As restated 2010	2011	2012	2013
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	\$ 1,340,887	\$ 1,343,144
Public safety	312,313	330,045	478,941	613,069	793,398	782,206	735,388	1,166,193	1,165,910	1,185,866
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	2,250,313	2,536,120
Streets	198,685	9,128	221,765	564,312	852,841	615,523	465,604	323,461	745,600	1,139,038
Streetlights	-	-	-	150,420	152,073	191,298	200,430	213,300	218,914	225,161
Interest on long-term debt	397,888	379,388	370,387	358,100	384,727	340,960	331,838	321,387	310,386	297,787
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	\$ 6,032,010	\$ 6,727,116
Business-type activities:										
Community and Recreation Services	\$ 673,576	\$ 721,307	\$ 832,495	\$ 1,013,464	\$ 1,096,341	\$ 982,950	\$ 902,476	\$ 849,836	\$ 879,909	\$ 1,014,666
Total business-type activities expenses	673,576	721,307	832,495	1,013,464	1,096,341	982,950	902,476	849,836	879,909	1,014,666
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	\$ 6,911,919	\$ 7,741,782
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ -	\$ 252,251	\$ 279,238	\$ 187,555	\$ 25,165	\$ 24,355	\$ 53,662	\$ 51,850	\$ 56,547	\$ 53,015
Public safety	34,790	59,969	181,032	120,111	176,155	150,687	95,125	102,567	113,557	107,392
Public works	423,938	675,399	557,316	361,557	244,560	115,130	139,516	218,405	310,650	452,893
Streetlights	-	-	-	145,492	201,673	226,040	209,925	198,109	227,222	223,816
Capital grants and contributions	596,396	791,434	941,450	350,467	613,791	293,295	934,945	647,899	436,744	563,429
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	\$ 1,144,720	\$ 1,400,545
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	\$ 559,871	\$ 602,240
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	559,871	602,240
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	\$ 1,704,591	\$ 2,002,785
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)	\$(4,887,290)	\$(5,326,571)
Business-type activities	(359,057)	(391,434)	(463,975)	(524,321)	(582,780)	(481,787)	(410,709)	(322,182)	(320,038)	(412,426)
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)	\$ (5,207,328)	\$ (5,738,997)
General Revenues and Other Changes in Net Position										
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	\$ 4,059,911	\$ 4,791,360
Shared revenues	1,107,605	866,312	990,230	1,476,541	1,235,867	1,202,192	1,069,298	943,485	1,065,828	1,190,797
Miscellaneous	33,554	29,222	41,400	134,320	103,911	1,059,574	507,682	97,693	90,876	94,583
Investment income	56,807	117,979	277,391	498,608	343,962	29,425	8,479	6,814	5,130	11,416
Transfers	(303,701)	(429,630)	(432,851)	(690,484)	(741,948)	(560,948)	(43,053)	(323,825)	(320,038)	(412,426)
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	\$ 4,901,707	\$ 5,675,730
Business-type activities:										
Other income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1,643)	\$ -	\$ -
Transfers	303,701	429,630	432,851	690,484	741,948	560,948	43,053	323,825	320,038	412,426
Total business-type activities	303,701	429,630	432,851	690,484	741,948	560,948	43,053	322,182	320,038	412,426
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	\$ 5,221,745	\$ 6,088,156
Change in Net Position										
Governmental activities	\$ 1,688,153	\$ 1,807,329	\$ 2,303,054	\$ 1,328,509	\$ 259,560	\$ 803,039	\$ 1,422,149	\$ 574,507	\$ 14,417	\$ 349,159
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	\$ 14,417	\$ 349,159

Source: Statement of Activities
City financial records and reports

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

	2004	2005	2006	2007	2008	2009	As restated 2010	2011	2012	2013
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	-	-	-	-	-	-	-	2,792,493	2,739,259	3,886,091
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>	<u>\$ 2,739,259</u>	<u>\$ 3,886,091</u>
General fund as % of current year revenues¹										
Reserved	7.10%	6.95%	5.27%	0.00%	0.00%	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%	0.00%	0.00%
Unassigned	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	53.42%	51.03%	61.65%
Total general fund	92.59%	114.39%	123.55%	60.33%	36.63%	47.56%	67.74%	53.42%	51.03%	61.65%
General fund as % of current year expenditures²										
Reserved	12.14%	13.76%	9.00%	0.00%	0.00%	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%	0.00%	0.00%
Unassigned	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	63.76%	59.70%	79.21%
Total general fund	158.22%	226.67%	206.53%	92.17%	48.12%	57.11%	89.21%	63.76%	59.70%	79.21%
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	-	-	-	-	-	-	-	2,262,936	2,273,027	5,530,008
Committed	-	-	-	-	-	-	-	991,160	1,339,034	1,346,488
Unassigned	-	-	-	-	-	-	-	(10,291)	(12,050)	(17,907)
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>	<u>\$ 3,600,011</u>	<u>\$ 6,858,589</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.

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 Ten Fiscal Years
(accrual basis of accounting)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>As restated 2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
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	\$ 4,059,911	\$ 4,791,360
Special assessments	-	-	-	145,492	201,673	226,040	209,925	198,109	227,222	223,816
Licenses and permits	205,725	470,591	557,316	387,867	269,725	139,485	163,386	244,245	350,009	483,528
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	1,418,204	1,541,913
Developer contributions	465,066	471,151	648,692	350,467	108,321	-	-	145,369	84,368	212,313
Fines	34,790	59,969	181,032	120,111	176,155	150,687	124,917	128,577	130,745	129,772
Investment earnings	56,807	117,979	277,391	498,608	343,963	29,425	8,479	6,814	5,132	11,416
Miscellaneous	164,884	29,222	41,400	146,059	106,156	59,574	183,682	97,693	90,875	94,583
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>	<u>6,366,466</u>	<u>7,488,701</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	1,261,861	1,277,876
Public safety	714,698	620,457	478,941	584,831	793,398	782,140	734,295	1,166,193	1,165,910	1,185,866
Public works	790,129	761,531	1,544,930	1,962,838	1,804,497	1,845,957	1,889,950	1,866,641	2,070,764	2,357,130
Streets	38,420	9,128	18,581	42,372	198,209	205,969	208,004	217,344	130,761	555,022
Streetlights	-	-	-	150,420	152,073	191,298	200,430	213,300	218,914	225,161
Capital outlay	4,537,689	893,585	539,066	2,673,931	3,752,043	2,311,273	1,180,663	1,136,179	374,858	215,605
Debt service										
Principal retirement	130,000	140,000	210,738	214,549	231,782	170,000	180,000	190,000	190,000	225,000
Interest and fiscal charges	397,888	379,388	370,387	358,100	379,758	350,962	341,838	331,387	330,388	297,787
Cost of issuance	-	-	-	-	-	-	-	-	-	271,418
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>	<u>5,743,456</u>	<u>6,610,865</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	\$ 623,010	\$ 877,836
Other financing sources (uses)										
Proceeds from debt obligations	-	-	167,100	-	-	-	-	-	-	3,940,000
Transfers in	1,005,804	945,855	306,393	5,000,000	2,500,000	262,811	167,167	1,345,702	711,818	1,091,958
Transfers out	(1,309,505)	(1,375,485)	(739,244)	(5,690,484)	(3,241,948)	(823,759)	(210,220)	(1,669,527)	(1,031,856)	(1,504,384)
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>	<u>\$ 302,972</u>	<u>\$ 4,405,410</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%	9.7%	8.2%

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 Ten Fiscal Years
(accrual basis of accounting)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
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	\$ 3,448,373	\$ 4,179,555
Franchise taxes	218,213	223,428	272,300	325,254	232,274	220,264	194,971	213,348	216,729	220,663
Community Facilities District	-	-	-	298,668	374,011	498,734	521,268	376,449	394,809	391,142
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>	<u>\$ 4,059,911</u>	<u>\$ 4,791,360</u>

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

Source: Statement of Activities
City financial records and reports

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

	2004	2005	2006	2007	2008	2009	As restated 2010	2011	2012	2013
State shared sales tax	\$ 317,893	\$ 347,363	\$ 408,099	\$ 430,374	\$ 416,141	\$ 360,262	\$ 332,289	\$ 352,682	\$ 427,896	\$ 448,221
Urban revenue sharing	343,445	350,244	398,905	514,089	637,226	676,822	584,612	440,723	462,178	559,362
HURF revenues	265,463	303,943	273,287	323,559	311,482	271,919	257,612	265,217	274,159	299,809
Auto in-lieu	154,352	163,108	183,226	188,060	182,500	165,108	152,400	150,080	175,754	183,214
LTAF revenues	26,452	21,937	19,471	20,459	30,281	21,376	12,298	-	-	-
Grants revenues	-	-	-	-	163,707	-	665,035	237,313	78,217	51,307
Total intergovernmental revenue	<u>\$ 1,107,605</u>	<u>\$ 1,186,595</u>	<u>\$ 1,282,988</u>	<u>\$ 1,476,541</u>	<u>\$ 1,741,337</u>	<u>\$ 1,495,487</u>	<u>\$ 2,004,246</u>	<u>\$ 1,446,015</u>	<u>\$ 1,418,204</u>	<u>\$ 1,541,913</u>

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
2012-13	\$ 62,131,170	\$ 62,566,669	\$ 568,156,442	11.01%
2011-12	69,669,889	70,298,096	594,617,016	11.82%
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%

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
2012-13	\$ 62,131,170	\$ 32,014,409,591	0.19%
2011-12	69,669,889	34,314,981,298	0.20%
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%

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>2013</u>						
Primary	0	1.2807	1.2896	2.4367	2.2936	7.3006
Secondary	0	0	0.2444	1.5405	1.2787	3.0636
<u>2012</u>						
Primary	0	1.2407	1.1563	2.3102	2.0437	6.7509
Secondary	0	0	0.2215	1.5761	1.1257	2.9233
<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

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

**City of Litchfield Park, Arizona
Overlapping Debt
June 30, 2013**

Overlapping Municipality	Secondary Assessed Valuation	Gross Bonded Debt	Proportion Applicable to City of Litchfield Park		
			Percentage¹	Amount	Per Capita
City of Litchfield Park	\$ 62,566,669	\$ 8,685,000	100%	\$ 8,685,000	\$ 1,586.01
Total direct and general bonded debt		<u>8,685,000</u>		<u>8,685,000</u>	
Maricopa County	32,240,159,338	120,350,000	0.19%	233,556	42.65
Maricopa County Community College District	32,240,159,338	616,235,000	0.19%	1,195,893	218.39
Agua Fria Union High School District #216	878,500,401	60,220,000	7.12%	4,288,860	783.21
Litchfield Elementary School District #79	579,939,724	<u>35,675,000</u>	10.79%	<u>3,848,789</u>	702.85
Total overlapping general bonded debt		<u>832,480,000</u>		<u>9,567,098</u>	
Total overlapping and direct general bonded debt		<u>\$ 841,165,000</u>		<u>\$ 18,252,098</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

City of Litchfield Park, Arizona
Ratios of Outstanding Debt by Type
2004-2013

Governmental Activities								
Fiscal Year Ended June 30,	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Net General Obligation Bonds	Capital Lease Obligations	Total Primary Government	Percentage of Actual Taxable Value of Property	Percentage of Median Household Income	Per Capita
2013	\$8,685,000	\$ (5,140,532)	\$ 3,544,468	\$ -	\$ 3,544,468	5.70%	2.14%	647
2012	4,955,000	(1,905,978)	3,049,022	-	3,049,022	4.38%	2.48%	557
2011	5,155,000	(1,942,487)	3,212,513	-	3,212,513	4.64%	2.48%	587
2010	5,345,000	(1,937,069)	3,407,931	-	3,407,931	3.98%	2.34%	665
2009	5,525,000	(1,917,574)	3,607,426	-	3,607,426	3.77%	2.20%	1,079
2008	5,695,000	(1,917,638)	3,777,362	-	3,777,362	4.24%	2.11%	742
2007	5,720,000	(1,802,677)	3,917,323	56,813	3,974,136	5.53%	1.24%	1,143
2006	6,010,000	(2,048,641)	3,961,359	111,362	4,072,721	6.60%	1.17%	1,352
2005	6,155,000	(1,878,725)	4,276,275	-	4,276,275	7.85%	¹	1,443
2004	6,295,000	(1,685,545)	4,609,455	-	4,609,455	9.77%	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, 2013

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 2012-2013 secondary assessed valuation, the City had \$12,513,334 borrowing capacity in the 20% category and \$3,754,000 in the 6% category.

City of Litchfield Park, Arizona
General Obligation Bond Incurrence Capacity
As of June 30, 2013

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

Secondary Assessed Valuation - 2012-2013	\$ 62,566,669
Allowable 20% Debt	12,513,334
20% Debt Outstanding	-
Available Borrowing Capacity or Debt Margin	\$ 12,513,334

6% Limitation
All Other
General Obligation Bonds

Secondary Assessed Valuation - 2012-2013	\$ 62,566,669
Allowable 6% Debt	3,754,000
6% Debt Outstanding	-
Available Borrowing Capacity or Debt Margin	\$ 3,754,000

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 Ten Fiscal Years**

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
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	\$ 14,059,619	\$ 12,513,334
Net Debt Applicable to the 20% Limit	-	-	-	-	-	-	-	-	-	-
Legal 20% Debt Margin (Available Borrowing Capacity)	<u>\$ 8,390,428</u>	<u>\$ 10,174,859</u>	<u>\$ 12,312,677</u>	<u>\$ 18,721,103</u>	<u>\$ 23,734,376</u>	<u>\$ 22,681,497</u>	<u>\$ 17,823,221</u>	<u>\$ 13,937,020</u>	<u>\$ 14,059,619</u>	<u>\$ 12,513,334</u>
Total Net Debt Applicable to the 20% Limit as a Percentage of 20% Debt Limit	0%	0%	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	\$ 4,217,886	\$ 3,754,000
Net Debt Applicable to the 6% Limit	-	-	-	-	-	-	-	-	-	-
Legal 6% Debt Margin (Available Borrowing Capacity)	<u>\$ 2,424,881</u>	<u>\$ 3,052,458</u>	<u>\$ 3,693,803</u>	<u>\$ 5,616,331</u>	<u>\$ 7,120,313</u>	<u>\$ 6,804,449</u>	<u>\$ 5,346,966</u>	<u>\$ 4,181,106</u>	<u>\$ 4,217,886</u>	<u>\$ 3,754,000</u>
Total Net Debt Applicable to the 6% Limit as a Percentage of 6% Debt Limit	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

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
2013	5,476	0.0%	8.4%	3,884,705	0.0%	7.1%	17,359
2012	5,476	0.0%	8.4%	3,884,705	1.6%	7.1%	17,660
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

1.6%

Income Figures

Median household income	\$	75,721
Per capita income	\$	47,203
Below \$10,000 ²		2.3%
Above \$75,000 ²		47.7%

¹ Updated based on 2010 census and 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>
2013	\$ 42,316,014	48	\$ 147,249,265
2012	23,010,000	81	122,252,502
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

Source: City departments and records

**City of Litchfield Park, Arizona
Employment Statistics
June 30, 2013**

Principal employers:

	2013		2012		2011		2010		2009		2008	
	Number of employees	Percent of Total										
The Wigwam Golf Resort & Spa	460	75.16%	460	74.31%	460	73.13%	440	71.78%	440	70.74%	439	70.02%
City of Litchfield Park (incl. seasonal)	72	11.76%	79	12.76%	79	12.56%	83	13.54%	92	14.79%	94	14.99%
Litchfield Elementary School	80	13.07%	80	12.92%	90	14.31%	90	14.68%	90	14.47%	94	14.99%
Total number of employees across all employers	612		619		629		613		622		627	

**Authorized Positions by Function and Department
Last 9 Fiscal Years**

General government

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
City Manager	1	1	2	2	2	2	2	2	2	2
City Clerk	3	4	5	5	5	5	4	4	4	4
Budget and Finance	2	2	2	3	3	3	3	3	3	2.5
Human Resources	1	1	1	1	1	1	1	1	1	1.5
Building Safety and Code Enforcement	2	2	2	3	3	3	3	3	3	2
Planning Services	-	-	-	1	1	1	1	1	1	1
Court	2	2	2	3	3	3	3	3	3	3
Public Works	11	13	17	17	17	16	17	17	17	19

Recreation and community services

Recreation Services	35	36	36	37	37	37	37	37	37	37
Total	57	61	67	72	72	71	71	71	71	72

Note 1: 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, 2013

Community and Recreation Services		Highways and Streets	
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, 2013

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	\$ 75,721	Number of fire stations	1
Per capita income	\$ 44,331		
<u>City employees as of June 30, 2013</u>		<u>Education</u>	
Full-time	32	Litchfield Elementary School District:	
Part-time (incl. seasonal)	40	Number of elementary/middle schools	14
<u>Annexed area</u>		Number of students	10,508
Square miles	3.3	Agua Fria High School District:	
Miles of streets	23	Number of high schools	4
		Number of students	6,851
		Estrella Mountain Community College	
		Number of students	14,562

¹ Population/Demographics based on 2010 decennial census.

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