

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2016

City of Litchfield Park, Arizona



City Council:

Thomas L. Schoaf, Mayor
Paul Faith, Vice Mayor
Tim Blake
Jeff Raible
Peter Mahoney
John Romack
Ann Donahue

Administrative Staff:

Sonny Culbreth, Interim City Manager

Prepared By:

Budget and Finance Department

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City of Litchfield Park, Arizona
Comprehensive Annual Financial Report
Year Ended June 30, 2016

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Introduction to Probability



January 31, 2017

To the Honorable Mayor, City Council, and Interim 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, 2016.

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, 2016, 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 unmodified opinion that the City of Litchfield Park's financial statements for the fiscal year ended June 30, 2016, 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 a population of approximately 6,188, per state estimates. 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 a vibrant historical downtown district, several community parks, a community library, a community recreation center and pool, and The Wigwam, a historic full service resort property boasting three championship golf courses, a full service spa, and conference center.

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 police and fire emergency services, 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. The City of Litchfield Park has experienced steady economic growth over the last two fiscal years and has seen an increase in its ongoing revenues. During fiscal year 2016, the City experienced an increase in both residential and commercial construction activity and is continuing its work to initiate further planned development within its remaining commercial parcels. The City anticipates economic growth that is very much in line with forecasts for the general Arizona economy, namely continued modest growth throughout 2017.

The sustained activity in the City's retail centers has helped to keep the City fiscally stable throughout the last several fiscal years. At the onset of fiscal year 2016, the City had over one hundred and fifty (150) acres of undeveloped commercial property within its limits. In the last year, a significant amount of this vacant property is under development, bringing new commercial and residential amenities to the City. Because of its close proximity to all of the West Valley's freeways (Loop 101, Loop 303, I-10, and Northern Parkway), Litchfield Park is well positioned to continue to capitalize on future economic growth in the West Valley and Arizona.

The City is optimistic that this modest growth trend will continue into the near future helping the City to grow toward meeting the needs of the community. The City's annual fiscal year revenue projections continue to reflect these recent economic developments.

Long-term financial planning. The City's primary source of revenue is local sales taxes from retail and contracting activity. The City continues to take steps to expand its retail base to enable the positive growth trend to continue into the future. The fiscally conservative practices followed by the City over the last several years served to lessen 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 2016 fiscal year to implement its current Capital Improvement Plan. Several projects identified as important for the City were initiated and/or completed during the year. The City completed the purchase of several vacant parcels within the City Center planning area that are deemed, along with Scout Park and Scout Lodge, as vital pieces of Litchfield Park's central core. The City initiated the development of a new park along Camelback Road, Village Park, and continued the enhancement of several other City parks. Major reconstruction of the Tierra Verde Lake Park was initiated in FY 2016 and is expected to continue thru the last quarter of the 2016 calendar year. The City has also sustained its citywide road maintenance and repair program and continued the replacement of capital equipment for public works and citywide 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 State of Arizona provides collateral for all cash on deposit in banks 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 2% for the fiscal year ended June 30, 2016.
- **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, 2015.

This was the fifteenth 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.

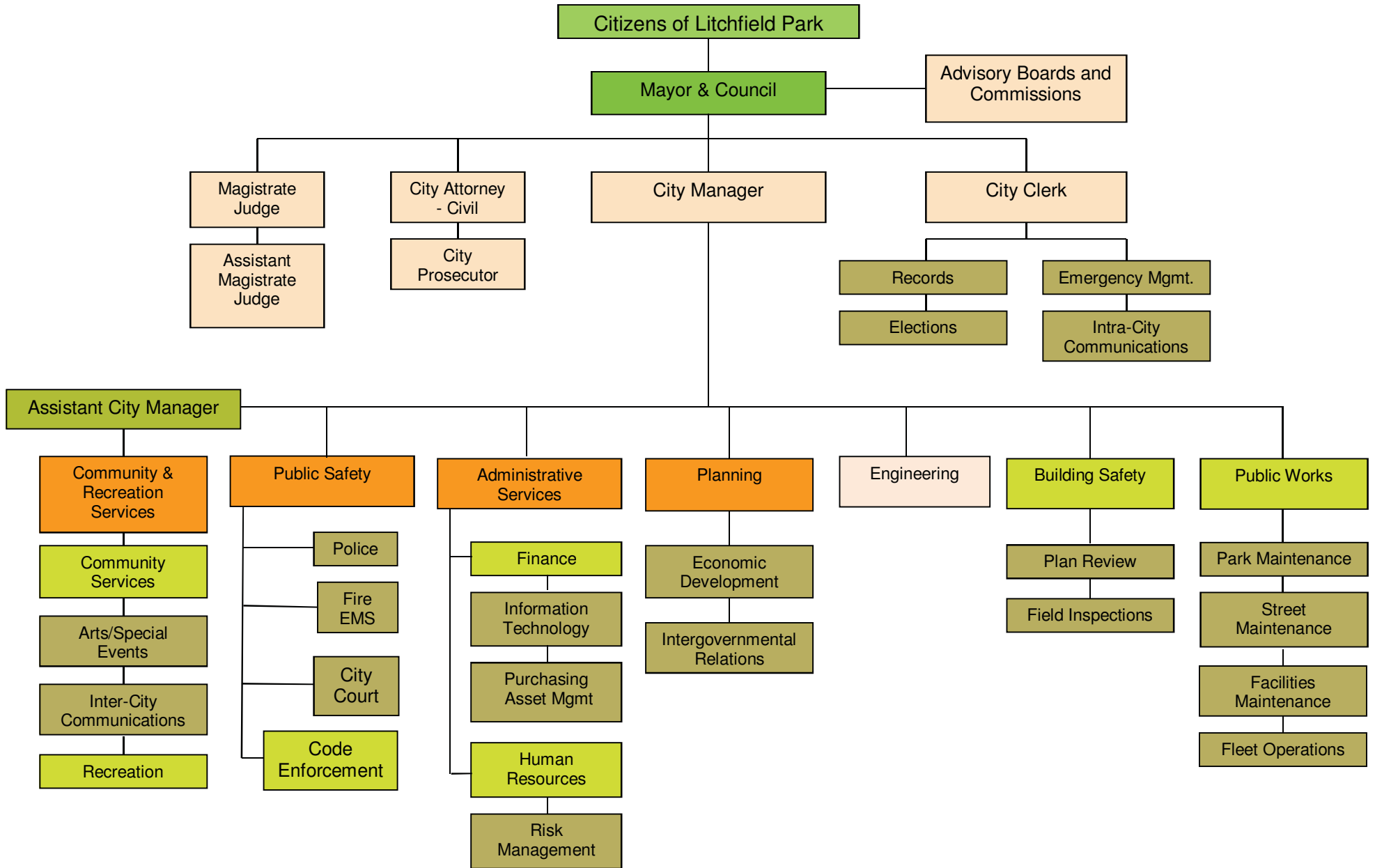
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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 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 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
Ann Donahue
Peter Mahoney
Jeff Raible
John Romack

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
Mary Dickson DRB P&Z Commission Representative
John Romack, City Council Representative
Don Wooldridge

Industrial Development Authority Board

Todd Kinney, President
Michael Yates, Vice President
John Wenzlau, Secretary
Michael Faith, Treasurer
Diane Landis

Planning & Zoning Commission

Frank Ross, Chair
David Ledyard, Vice Chair
Mary Dickson, Design Review Board Representative
Justin James
Richard Meese
Charles "Red" Scott, Jr.
Edward White

Recreation and Public Grounds Commission

JoAnn Dun, Chair
Andi Phillips, Vice Chair
Oscar Arnold
Susan Fix
Cristoph Gerz
David Schwake
Anthony Taddei

Beautification Committee

Andrea Phillips
Susan Fix
Anthony Taddei

Tree Board

JoAnn Dun, Chair
Oscar Arnold
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, 2015

Executive Director/CEO

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Independent Auditor's Report

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

Report on the Financial Statements

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, (the "City") as of and for the year ended June 30, 2016, 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 accounting principles generally accepted in the United States of America; 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, the business-type activities, each major fund, and the aggregate remaining fund information of City of Litchfield Park, Arizona, as of June 30, 2016, 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 accounting principles generally accepted in the United States of America.

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 auditing standards generally accepted in the United States of America, 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 a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, budget versus actual schedules and the capital asset schedules on pages 47-60 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 auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, budget versus actual schedules and the capital asset schedules on pages 47-60 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 31, 2017, 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.

Handwritten signature in cursive script that reads "Wachen & Armstrong, LLP".

Phoenix, Arizona
January 31, 2017

City of Litchfield Park, Arizona
Management's Discussion and Analysis
June 30, 2016

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, 2016. 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 and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$18,085,044 (*net position*). Of this amount, \$(1,697,746) (*unrestricted net deficit*) may be used to meet the City's obligations to citizens and creditors.
- The City's total net position decreased by \$617,358.
- As of the close of the current fiscal year, the City of Litchfield Park's governmental funds reported combined ending fund balances of \$5,358,627 a decrease of \$446,019 in comparison with the prior year. \$1,026,916 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 \$1,036,608, or 18 percent of total general fund expenditures.

The City of Litchfield Park's long-term liabilities increased by \$4,375,727 (64 percent) during the current fiscal year resulting primarily from implementation of a new bond issuance. Additional information on the City's long-term liabilities can be found in Note 9 on page 37 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, streets and street lights. 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 47-48 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 49-55.

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 services 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 25-43 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 and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$18,085,044 at the close of the most recent fiscal year.

The largest portion of the City's net position (87 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 (negative 9 percent) represents unrestricted net deficit.

Governmental activities decrease in net position changed from a decrease of net position of \$230,216 in 2015 to a decrease in net position of \$1,232,006 in 2016.

Business-type activities consist primarily of the City's recreation center which incurred a decrease in net position before transfers of \$378,468 which was increased by transfers in the amount of \$993,116 from the general fund.

The following table summarizes the statement of net position at June 30, 2016 and 2015:

City of Litchfield Park's Net Position

	Governmental activities		Business-type activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 7,444,630	\$ 7,131,245	\$ 390,982	\$ (227,621)	\$ 7,835,612	\$ 6,903,624
Capital assets	22,748,341	19,823,050	193,742	228,928	22,942,083	20,051,978
Total assets	30,192,971	26,954,295	584,724	1,307	30,777,695	26,955,602
Deferred outflows of resources	526,098	327,582	82,446	62,087	608,544	389,669
Long-term liabilities outstanding	10,738,510	6,368,220	507,815	502,378	11,246,325	6,870,598
Other liabilities	1,586,003	1,066,599	110,850	75,210	1,696,853	1,141,809
Total liabilities	12,324,513	7,434,819	618,665	577,588	12,943,178	8,012,407
Deferred inflows of resources	309,512	530,008	48,505	100,454	358,017	630,462
Net Position:						
Net investment in capital assets	15,453,341	16,133,050	193,742	228,928	15,647,083	16,361,978
Restricted for:						
Public works	620,005	555,624	-	-	620,005	555,624
Debt Service	48,329	80,142	-	-	48,329	80,142
Capital improvements	3,467,373	-	-	-	3,467,373	-
Unrestricted (deficit)	(1,504,004)	2,548,234	(193,742)	(843,576)	(1,697,746)	1,704,658
Total net position	\$18,085,044	\$19,317,050	\$ -	\$ (614,648)	\$ 18,085,044	\$ 18,702,402

At the end of the current fiscal year, the City is reporting a negative balance in governmental activities unrestricted net position of \$1,504,004.

Management's Discussion and Analysis - Continued

Governmental activities. Governmental activities decreased the City's net position by \$1,232,006. Key elements of this increase are summarized in the following schedule:

City of Litchfield Park's Changes in Net Position

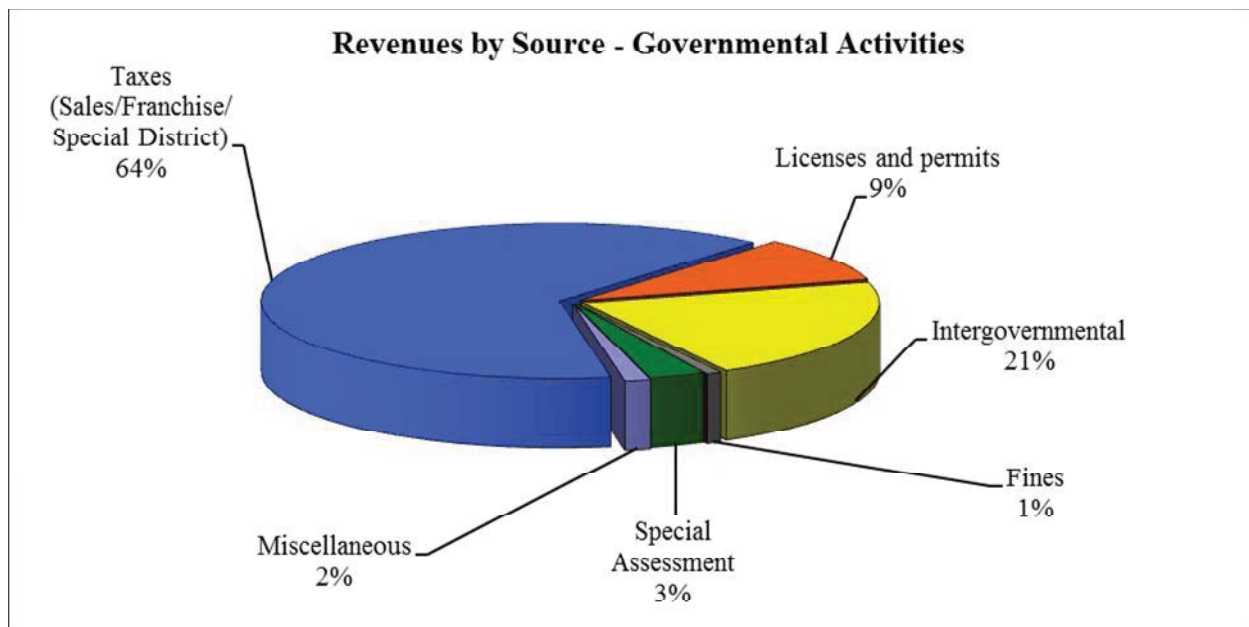
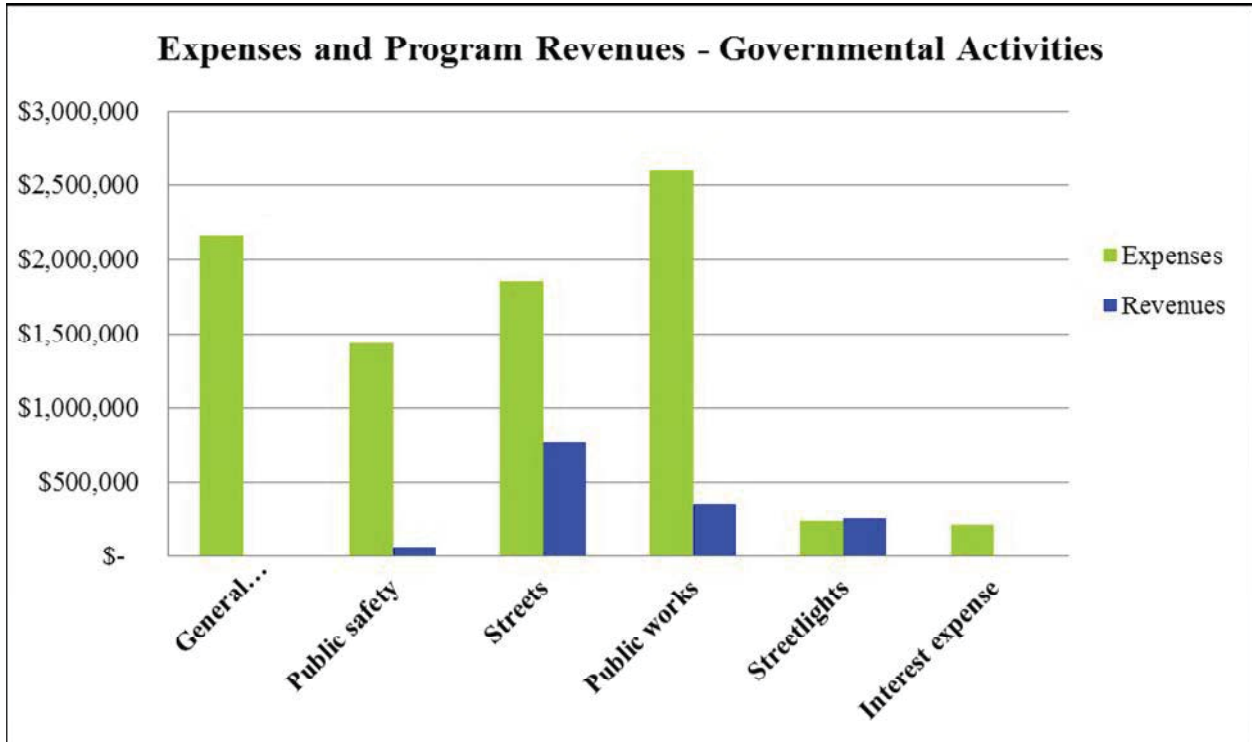
	Governmental activities		Business-type activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 1,091,732	\$ 864,519	\$ 625,768	\$ 639,978	\$ 1,717,500	\$ 1,504,497
Capital grants and contributions	353,313	564,650	-	-	353,313	564,650
General revenues:						
Taxes	5,284,921	4,698,912	-	-	5,284,921	4,698,912
Intergovernmental	1,401,084	1,372,666	-	-	1,401,084	1,372,666
Other	115,572	116,080	-	-	115,572	116,080
Total revenues	8,246,622	7,616,827	625,768	639,978	8,872,390	8,256,805
Expenses:						
General government	2,159,373	1,668,550	-	-	2,159,373	1,668,550
Public safety	1,430,533	1,308,032	-	-	1,430,533	1,308,032
Public works	2,607,736	2,461,077	-	-	2,607,736	2,461,077
Streets	1,850,901	1,730,087	-	-	1,850,901	1,730,087
Streetlights	232,247	229,612	-	-	232,247	229,612
Interest on long-term debt	204,722	107,010	-	-	204,722	107,010
Community and recreation svcs.	-	-	1,004,236	1,071,914	1,004,236	1,071,914
Total expenses	8,485,512	7,504,368	1,004,236	1,071,914	9,489,748	8,576,282
Change in net position before transfers	(238,890)	112,459	(378,468)	(431,936)	(617,358)	(319,477)
Transfers	(993,116)	(342,675)	993,116	342,675	-	-
Change in net position	(1,232,006)	(230,216)	614,648	(89,261.0)	(617,358)	(319,477)
Net position - beginning	19,317,050	19,547,266	(614,648)	(525,387)	18,702,402	19,021,879
Net position - ending	\$ 18,085,044	\$ 19,317,050	\$ -	\$ (614,648)	\$ 18,085,044	\$ 18,702,402

As reported above, overall governmental activities revenues increased by \$629,795. The increase is primarily the result of an increase in tax revenues of \$586,009 and an increase in charges for services of \$227,213. These increases were offset by a decrease in capital grants and contributions of \$211,337. The increase in tax revenues resulted primarily from an increase in City Sales, Use and Bed taxes. The increase in charges for service revenue was primarily from increased activity for building permits.

Governmental activities expenses increased by \$981,144, which was the result of an increase in expenditures across all expense units. A majority of the increase in interest and general government expenditures resulted from costs associated with the bond issuance and the additional interest while other expenditures increased due to additional maintenance and project expenditures throughout the year.

Management's Discussion and Analysis - Continued

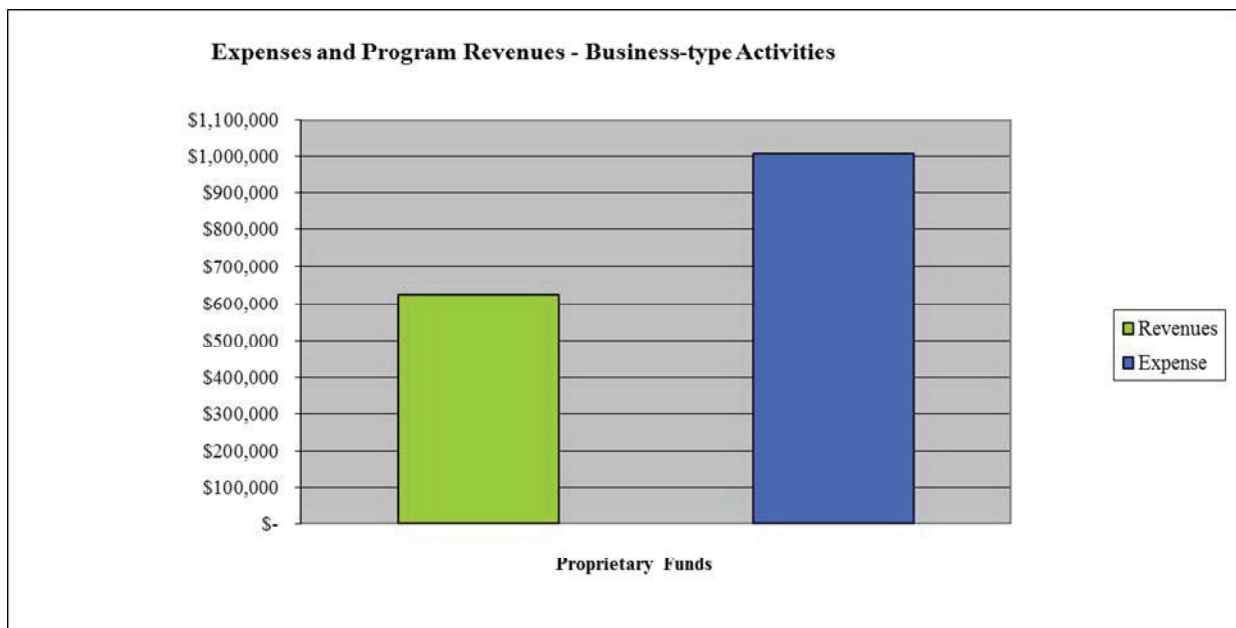
The following graphs provide comparisons of the governmental activities direct program revenues with their expenses and a comparison of specific revenue types.



Management's Discussion and Analysis - Continued

Business-type activities. Operating revenues of the enterprise funds decreased \$14,210 (2 percent) in fiscal year 2016. Operating expenses of the enterprise fund decreased by \$67,678 (6 percent) during the same period. The decrease in revenues is primarily the result of decreases in recreation services program activities and special programs. The decrease in operating expense is mostly related to decreases in administrative cost incurred to support the 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 \$5,358,627, a decrease of \$446,019 in comparison with the prior year. Of this balance, unassigned fund balance totaled \$1,026,916, 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 \$1,036,608. 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 18 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 decreased by \$2,346,279. The key factors of this change is an increase in City sales, use and bed taxes offset by a transfer out of the general fund to the City's capital improvement fund and enterprise funds. This transfer resulted from a release of monies for the acquisition of land in the capital improvement fund which occurred in January 2017, and the general fund subsidizing the enterprise funds current year deficit.

The debt service fund has a total fund balance of \$48,329, all of which is restricted for the payment of debt service for the Village at Litchfield Park Community Facilities District. The net decrease in debt service fund's fund balance during the current year was \$31,813. The decrease is primarily the result of principal and interest payments for the bonds in excess of taxes collected, offset by a transfer from the general fund of \$282,826. Additional information on the City's long-term liabilities can be found in Note 9 on pages 37 of this report.

The capital improvement fund incurred \$4,997,567 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 \$2,781,000 which reduced the funds deficit of revenues over expenditures.

Non-major fund revenues and expenses were consistent with the prior year.

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 \$1,784, due to an increase in special program activity while operating expenses decreased by \$107,810 due to decreased administrative costs and cost of special programs activities. The net loss of \$262,573 was offset by a transfer in from the general fund in the amount of \$712,616.

Management's Discussion and Analysis - Continued

General Fund Budgetary Highlights

Licenses and permits revenues were greater than budget by \$472,322. The variance is primarily the result of greater than anticipated revenues for building permits.

Taxes revenues were greater than budget by \$283,819. The variance is primarily the result of greater than anticipated City sales, use and bed tax revenues.

Miscellaneous revenues were less than budget by \$112,379. The variance is primarily the result of less than anticipated grant revenues.

City manager's office expenditures were greater than budget by \$83,396. The variance is primarily the result of greater than anticipated salaries and costs for operations of the City.

Public works maintenance expenditures were less than budget by \$431,989. The variance is primarily the result of less than anticipated cost for the maintenance of City properties.

Planning services expenditures were less than budget by \$197,131. The variance is primarily the result of less than anticipated salaries and related costs for planning services of the City.

Operations contingency expenditures were budgeted in the amount of \$1,110,560, however no expenditures were incurred during the year.

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, 2016, amounts to \$22,942,083 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, construction in progress, and infrastructure. The net increase in the City's investment in capital assets for the current fiscal year was 14.4 percent.

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

- Purchased a land parcel for \$2,868,245.
- Constructed three playgrounds for \$166,499 and park improvements totaling \$817,845.
- Purchased two vehicles for \$67,328.

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

	Governmental activities		Business-type activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 5,932,994	\$ 3,064,749	\$ 31,000	\$ 31,000	\$ 5,963,994	\$ 3,095,749
Construction in progress	817,846	-	-	-	817,846	-
Buildings	76,363	82,263	43,376	48,768	119,739	131,031
Building improvements	149,566	179,445	56,651	76,175	206,217	255,620
Infrastructure	14,793,271	15,614,556	-	-	14,793,271	15,614,556
Land improvements	456,734	482,638	-	-	456,734	482,638
Machinery and equipment	394,516	310,640	16,840	24,697	411,356	335,337
Office equipment	16,874	21,182	45,875	48,288	62,749	69,470
Vehicles	110,177	67,577	-	-	110,177	67,577
Total	<u>\$ 22,748,341</u>	<u>\$ 19,823,050</u>	<u>\$ 193,742</u>	<u>\$ 228,928</u>	<u>\$ 22,942,083</u>	<u>\$ 20,051,978</u>

Management's Discussion and Analysis - Continued

Additional information on the City's capital assets can be found in Note 7 on pages 34 and 35 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. During 2016, the City entered into an agreement to issue revenue bonds for the purpose of capital improvements in the amount of \$4,095,000. The total year-end bonded debt outstanding was \$7,525,000 as of June 30, 2016, an increase of \$3,835,000 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.

As of June 30, 2016, the net pension liability was \$3,016,022 and \$472,652, an increase from the prior year of \$524,409 and \$413 for governmental activities and business-type activities, respectively.

Additional information on the City's long-term liabilities can be found in Note 9 on page 37 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 from its retail and commercial zones 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.
- The City has seen increases in residential construction during 2016, particularly within the Village at Litchfield Park and Sunset Terrace subdivisions. The City has seen significant new developments in some of its commercial areas as well, including substantial retail development, which will provide additional revenues to help meet the ongoing needs of the City. The one-time construction related tax revenues from these developments will continue to be used toward building the City's reserves and/or the completion of one-time capital projects.
- 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 utilized a significant portion of these reserves toward capital improvement projects and commercial land acquisition throughout fiscal years 2015, 2016, and 2017. The City remains in a stable economic position after this utilization of a portion of its reserves and pursues adequate reserve balances for future utilization, as needed.

Management's Discussion and Analysis - Continued

- The City has experienced a modest increase in retail sales tax revenues during fiscal year 2016. With significant new retail developments coming online, the City anticipates that such revenues will continue their modest increase during fiscal years 2017 and 2018. Increased revenues will serve to reduce the amount of cash reserves used toward meeting current capital needs.
- The City is continuing its economic development efforts to help expand its tax base through the development of its remaining vacant commercial parcels. As mentioned above, the City is seeing increased development in its commercial areas, which is a result of the development efforts taken by the City over the last several years. 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 2017 fiscal year.

Requests for Information

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

Basic Financial Statements

Including Notes to the Financial Statements

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

City of Litchfield Park, Arizona
Statement of Net Position
June 30, 2016

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 2,741,412	\$ 250	\$ 2,741,662
Cash held by fiscal agent	4,007,700	-	4,007,700
Investments	719,305	-	719,305
Receivables (net of allowance for uncollectibles):			
Accounts	49,124	12,390	61,514
Interest	12	-	12
Internal balances	(378,342)	378,342	-
Due from other governments	301,127	-	301,127
Prepaid expenses	4,292	-	4,292
Capital assets, not being depreciated	6,750,839	31,000	6,781,839
Capital assets, being depreciated, net	<u>15,997,502</u>	<u>162,742</u>	<u>16,160,244</u>
Total assets	30,192,971	584,724	30,777,695
Deferred Outflows of Resources			
Deferred outflows related to pensions	<u>526,098</u>	<u>82,446</u>	<u>608,544</u>
Total deferred outflows of resources	526,098	82,446	608,544
Liabilities			
Accounts payable	639,418	26,479	665,897
Accrued payroll and related liabilities	461,318	40,067	501,385
Interest payable	102,561	-	102,561
Other liabilities	377,628	44,304	421,932
Due to other governments	5,078	-	5,078
Noncurrent liabilities:			
Due within one year	657,992	32,459	690,451
Due in more than one year	<u>10,080,518</u>	<u>475,356</u>	<u>10,555,874</u>
Total liabilities	12,324,513	618,665	12,943,178
Deferred Inflows of Resources			
Deferred inflows related to pensions	<u>309,512</u>	<u>48,505</u>	<u>358,017</u>
Total deferred inflows of resources	309,512	48,505	358,017
Net Position			
Net investment in capital assets	15,453,341	193,742	15,647,083
Restricted for:			
Public works	620,005	-	620,005
Debt service	48,329	-	48,329
Capital improvements	3,467,373	-	3,467,373
Unrestricted (deficit)	<u>(1,504,004)</u>	<u>(193,742)</u>	<u>(1,697,746)</u>
Total net position	<u>\$ 18,085,044</u>	<u>\$ -</u>	<u>\$ 18,085,044</u>

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

City of Litchfield Park, Arizona
Statement of Activities
Year ended June 30, 2016

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Capital Grants and Contributions	Primary Government		Total
				Governmental Activities	Business-Type Activities	
Governmental activities:						
General government	\$ 2,159,373	\$ -	\$ -	\$ (2,159,373)	\$ -	\$ (2,159,373)
Public safety	1,430,533	67,448	-	(1,363,085)	-	(1,363,085)
Public works	2,607,736	772,322	-	(1,835,414)	-	(1,835,414)
Streets	1,850,901	-	353,313	(1,497,588)	-	(1,497,588)
Streetlights	232,247	251,962	-	19,715	-	19,715
Interest on long-term debt	204,722	-	-	(204,722)	-	(204,722)
Total governmental activities	8,485,512	1,091,732	353,313	(7,040,467)	-	(7,040,467)
Business-type activities:						
Recreation services	699,297	436,724	-	-	(262,573)	(262,573)
Community services	91,645	4,230	-	-	(87,415)	(87,415)
Special events	213,294	184,814	-	-	(28,480)	(28,480)
Total business-type activities	1,004,236	625,768	-	-	(378,468)	(378,468)
Total primary government	9,489,748	1,717,500	353,313	(7,040,467)	(378,468)	(7,418,935)
General revenues:						
Taxes						
Sales and use tax				4,683,003	-	4,683,003
Franchise tax				212,399	-	212,399
Property tax, levied for debt service				389,519	-	389,519
State shared tax revenue - unrestricted				1,401,084	-	1,401,084
Investment income				3,751	-	3,751
Other income				111,821	-	111,821
Transfers				(993,116)	993,116	-
Total general revenues and transfers				5,808,461	993,116	6,801,577
Change in net position				(1,232,006)	614,648	(617,358)
Net position (deficit), July 1, 2015				19,317,050	(614,648)	18,702,402
Net position (deficit), June 30, 2016				<u>\$ 18,085,044</u>	<u>\$ -</u>	<u>\$ 18,085,044</u>

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

City of Litchfield Park, Arizona
Balance Sheet
Governmental Funds
June 30, 2016

	<u>General</u>	<u>Debt Service-CFD</u>	<u>Capital Improvement</u>	<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
Assets					
Cash on hand and in bank	\$ 1,732,533	\$ 409,854	\$ -	\$ 599,026	\$ 2,741,413
Cash held by fiscal agent	-	-	4,007,700	-	4,007,700
Investments	629,267	-	-	90,038	719,305
Accounts receivable	37,600	6,928	-	4,597	49,125
Interest receivable	13	-	-	-	13
Due from other governments	270,725	-	-	30,399	301,124
Due from other funds	-	234,110	-	189,982	424,092
Prepaid expenses	4,292	-	-	-	4,292
Total assets	<u>\$ 2,674,430</u>	<u>\$ 650,892</u>	<u>\$ 4,007,700</u>	<u>\$ 914,042</u>	<u>\$ 8,247,064</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 168,762	\$ -	\$ 470,655	\$ -	\$ 639,417
Accrued payroll and related benefits	461,097	-	-	-	461,097
Due to other governments	5,078	-	-	-	5,078
Current bonds payable	-	500,000	-	-	500,000
Interest payable	-	102,563	-	-	102,563
Other liabilities	377,848	-	-	-	377,848
Due to other funds	620,745	-	69,672	112,017	802,434
Total liabilities	1,633,530	602,563	540,327	112,017	2,888,437
Fund balances					
Nonspendable	4,292	-	-	-	4,292
Restricted	-	48,329	3,467,373	620,005	4,135,707
Committed	-	-	-	191,712	191,712
Unassigned	1,036,608	-	-	(9,692)	1,026,916
Total fund balances	<u>1,040,900</u>	<u>48,329</u>	<u>3,467,373</u>	<u>802,025</u>	<u>5,358,627</u>
Total liabilities and fund balances	<u>\$ 2,674,430</u>	<u>\$ 650,892</u>	<u>\$ 4,007,700</u>	<u>\$ 914,042</u>	<u>\$ 8,247,064</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, 2016

Total fund balances	\$ 5,358,627
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 \$30,245,955 and the accumulated depreciation is \$10,422,904.	22,748,341
Net pension assets held in trust for future benefits are not available for City operations and, therefore, are not reported in the funds.	526,098
Long-term liabilities, such as net pension liabilities and bonds payable, are not due and payable in the current period and, therefore, are not reported as a liability in the funds.	(10,238,510)
Deferred inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds.	<u>(309,512)</u>
Net position of governmental funds	<u>\$ 18,085,044</u>

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

City of Litchfield Park, Arizona
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2016

	<u>General</u>	<u>Debt Service-CFD</u>	<u>Capital Improvement</u>	<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Taxes	\$ 4,895,409	\$ 389,518	\$ -	\$ -	\$ 5,284,927
Special assessments	-	-	-	251,962	251,962
Licenses and permits	772,322	-	-	-	772,322
Intergovernmental	1,402,586	-	-	351,811	1,754,397
Fines	53,380	-	-	14,068	67,448
Investment earnings	2,646	565	-	540	3,751
Miscellaneous	111,821	-	-	-	111,821
Total revenues	<u>7,238,164</u>	<u>390,083</u>	<u>-</u>	<u>618,381</u>	<u>8,246,628</u>
Expenditures					
<i>Current</i>					
General government	1,665,724	-	216,357	-	1,882,081
Public safety	1,423,427	-	-	-	1,423,427
Public works	2,415,889	-	-	-	2,415,889
Streets	281,616	-	773,994	73,339	1,128,949
Streetlights	-	-	-	232,247	232,247
<i>Capital outlay</i>	-	-	3,919,917	-	3,919,917
<i>Debt service</i>					
Principal retirement	-	500,000	-	-	500,000
Interest and fiscal charges	-	204,722	-	-	204,722
Bond issuance costs	-	-	87,299	-	87,299
Total expenditures	<u>5,786,656</u>	<u>704,722</u>	<u>4,997,567</u>	<u>305,586</u>	<u>11,794,531</u>
Excess (deficiency) of revenues over expenditures	1,451,508	(314,639)	(4,997,567)	312,795	(3,547,903)
Other financing sources (uses)					
Revenue bonds issued	-	-	4,095,000	-	4,095,000
Transfers in	22,150	282,826	2,781,000	-	3,085,976
Transfers out	(3,819,937)	-	-	(259,155)	(4,079,092)
Total other financing (uses) sources	<u>(3,797,787)</u>	<u>282,826</u>	<u>6,876,000</u>	<u>(259,155)</u>	<u>3,101,884</u>
Net change in fund balances	(2,346,279)	(31,813)	1,878,433	53,640	(446,019)
Fund balances at July 1, 2015	<u>3,387,179</u>	<u>80,142</u>	<u>1,588,940</u>	<u>748,385</u>	<u>5,804,646</u>
Fund balances at June 30, 2016	<u>\$ 1,040,900</u>	<u>\$ 48,329</u>	<u>\$ 3,467,373</u>	<u>\$ 802,025</u>	<u>\$ 5,358,627</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, 2016

Net change in fund balances - total governmental funds **\$ (446,019)**

Amounts reported for governmental activities in the statement of activities are different because:

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.

Capital outlays	\$ 3,919,917	
Depreciation expense	<u>(994,626)</u>	2,925,291

City pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension liability is measured a year before the City's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.

City pension contributions	210,090	
Pension expense	<u>(315,485)</u>	(105,395)

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Principal maturation of bonds payable		500,000
Issuance of revenue bonds		<u>(4,095,000)</u>

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.

Increase in compensated absences		<u>(10,883)</u>
----------------------------------	--	-----------------

Change in net position of governmental activities **\$ (1,232,006)**

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, 2016

	<u>Original Budget</u>	<u>Amendments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues					
Taxes	\$ 4,611,590	\$ -	\$ 4,611,590	\$ 4,895,409	\$ 283,819
Licenses and permits	300,000	-	300,000	772,322	472,322
Intergovernmental	1,398,878	-	1,398,878	1,402,586	3,708
Fines	82,000	-	82,000	53,380	(28,620)
Investment earnings	2,900	-	2,900	2,646	(254)
Miscellaneous	<u>224,200</u>	<u>-</u>	<u>224,200</u>	<u>111,821</u>	<u>(112,379)</u>
Total revenues	6,619,568	-	6,619,568	7,238,164	618,596
Expenditures					
City manager's office	233,509	-	233,509	316,905	(83,396)
Operations contingency	1,110,560	-	1,110,560	-	1,110,560
City attorney	163,000	-	163,000	144,156	18,844
Mayor and city council	12,000	-	12,000	5,332	6,668
City clerk's office	384,639	-	384,639	383,828	811
Finance and human resources	594,242	3,000	597,242	610,865	(13,623)
Public works maintenance	2,628,359	-	2,628,359	2,196,370	431,989
Building safety and zoning enforcement	248,005	-	248,005	219,519	28,486
Planning services	399,057	-	399,057	201,926	197,131
Engineering services	225,000	57,000	282,000	281,616	384
Magistrate court	187,017	-	187,017	175,506	11,511
Public safety	<u>1,289,681</u>	<u>-</u>	<u>1,289,681</u>	<u>1,250,633</u>	<u>39,048</u>
Total expenditures	<u>7,475,069</u>	<u>60,000</u>	<u>7,535,069</u>	<u>5,786,656</u>	<u>1,748,413</u>
(Deficiency) excess of revenues over expenditures	(855,501)	(60,000)	(915,501)	1,451,508	2,367,009
Other financing (uses) sources					
Transfers out	<u>(2,223,192)</u>	<u>60,000</u>	<u>(2,163,192)</u>	<u>(3,797,787)</u>	<u>(1,634,595)</u>
Net change in fund balance	<u>\$ (3,078,693)</u>	<u>\$ -</u>	<u>\$ (3,078,693)</u>	<u>\$ (2,346,279)</u>	<u>\$ 732,414</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, 2016

	Business-Type Activities		Total
	Enterprise Funds		
	Recreation Services	Non-Major Funds	
Assets			
<i>Current assets:</i>			
Cash on hand	\$ 250	\$ -	\$ 250
Accounts receivable	12,390	-	12,390
Due from other funds	<u>235,124</u>	<u>143,218</u>	<u>378,342</u>
Total current assets	247,764	143,218	390,982
<i>Noncurrent assets:</i>			
Capital assets, not being depreciated	31,000	-	31,000
Capital assets, being depreciated, net	<u>162,742</u>	<u>-</u>	<u>162,742</u>
Total noncurrent assets	<u>193,742</u>	<u>-</u>	<u>193,742</u>
Total assets	441,506	143,218	584,724
Deferred Outflows of Resources			
Deferred outflows related to pensions	<u>60,588</u>	<u>21,858</u>	<u>82,446</u>
Total deferred outflows of resources	60,588	21,858	82,446
Liabilities			
<i>Current liabilities:</i>			
Accounts payable	11,475	15,004	26,479
Accrued payroll and related	40,067	-	40,067
Other liabilities	44,304	-	44,304
Compensated absences payable, current portion	<u>20,559</u>	<u>11,900</u>	<u>32,459</u>
Total current liabilities	116,405	26,904	143,309
<i>Noncurrent liabilities:</i>			
Compensated absences payable, net of current portion	2,704	-	2,704
Net pension liability	<u>347,340</u>	<u>125,312</u>	<u>472,652</u>
Total liabilities	466,449	152,216	618,665
Deferred Inflows of Resources			
Deferred inflows related to pensions	<u>35,645</u>	<u>12,860</u>	<u>48,505</u>
Total deferred inflows of resources	<u>35,645</u>	<u>12,860</u>	<u>48,505</u>
Net position			
Net investment in capital assets	193,742	-	193,742
Unrestricted (deficit)	<u>(193,742)</u>	<u>-</u>	<u>(193,742)</u>
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, 2016

	Business-Type Activities - Enterprise Funds		
	Recreation Services	Non-Major Funds	Total
Operating revenues			
Current use charges	\$ 43,780	\$ 4,000	\$ 47,780
Special programs	392,944	185,044	577,988
Total operating revenues	436,724	189,044	625,768
Operating expenses			
Administrative	480,783	132,772	613,555
Operating	76,040	1,092	77,132
Special programs	107,288	171,075	278,363
Depreciation	35,186	-	35,186
Total operating expenses	699,297	304,939	1,004,236
Operating loss before transfers	(262,573)	(115,895)	(378,468)
Transfers			
Transfers in	712,616	280,500	993,116
Net income	450,043	164,605	614,648
Net position (deficit), July 1, 2015	(450,043)	(164,605)	(614,648)
Net position, June 30, 2016	\$ -	\$ -	\$ -

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, 2016

	Business-Type Activities -		
	Enterprise Funds		
	Recreation Services	Non-Major Funds	Total
Cash flows from operating activities:			
Cash received for services	\$ 468,903	\$ 189,044	\$ 657,947
Cash paid to suppliers	(175,723)	(157,163)	(332,886)
Cash paid to or on behalf of employees	(543,901)	(118,391)	(662,292)
Net cash used for operating activities	(250,721)	(86,510)	(337,231)
Cash flows from noncapital financing activities:			
Transfers in from the general fund	712,616	280,500	993,116
Negative cash balance implicitly paid	(461,895)	(193,990)	(655,885)
Net cash provided by noncapital financing activities	250,721	86,510	337,231
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	\$ (262,573)	\$ (115,895)	\$ (378,468)
Adjustments to reconcile operating loss to net cash used for operating activities:			
Depreciation	35,186	-	35,186
Decrease in accounts receivable	37,282	-	37,282
Increase in deferred outflows of resources	(11,137)	(9,222)	(20,359)
Increase in accounts payable	7,605	-	7,605
Increase in accrued payroll and related	18,134	-	18,134
Decrease in other liabilities	(5,103)	-	(5,103)
Increase (decrease) in net pension liability	(28,788)	29,201	413
Decrease in deferred inflows of resources	(44,364)	(7,585)	(51,949)
Increase in compensated absences payable	3,037	16,991	20,028
Net cash used for operating activities	\$ (250,721)	\$ (86,510)	\$ (337,231)

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

City of Litchfield Park, Arizona
Notes to Financial Statements
Year Ended June 30, 2016

Note 1 - Summary of Significant Accounting Policies

City of Litchfield Park, Arizona (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, 2016, the City implemented the provisions of GASB Statement No. 72, *Fair Value Measurements and Application*. GASB Statement No. 72 establish standards for measuring fair value and applying fair value to certain investments and disclosures related to all fair value measurements.

The accounting policies of 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 and collects special assessment revenues to service the District's debt. Accordingly, the District's governing body is substantially the same as the City's governing body and there is a financial burden relationship.

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, 2016).

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

3. Inventory and Prepaid Items

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

Notes to Financial Statements - Continued

Note 1 - Summary of Significant Accounting Policies - Continued

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

5. Deferred Outflows and Inflows of Resources

The statement of net position includes separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods that will be recognized as an expense or expenditure in future periods. Deferred inflows of resources represent an acquisition of net position or fund balance that applies to future periods and will be recognized as a revenue in future periods.

6. 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.

Notes to Financial Statements - Continued

Note 1 - Summary of Significant Accounting Policies - Continued

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 incur payroll costs. During 2016, the City paid for compensated absences as follows: 80 percent from the general fund and 20 percent from the enterprise fund.

7. 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.

8. Estimates

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

9. Fund Balance Classifications

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

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

The unrestricted fund balance category is comprised of committed, assigned, and unassigned resources. Committed fund balances are self-imposed limitations approved in a public meeting by 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 (e.g., resolutions approved by City Council).

Notes to Financial Statements - Continued

Note 1 - Summary of Significant Accounting Policies - Continued

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

The appropriated budget is prepared by fund, function, and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments (e.g. administrative services, budget and finance, parks maintenance, building safety and zoning, and public safety) require the approval of City Council. The legal level of budgetary control at which expenditures may not legally exceed appropriations is the department level. The Council made one supplemental budgetary appropriation during the year.

For the year ended June 30, 2016, expenditures exceeded appropriations in the general fund for the following departments:

City manager's office	\$	83,396
Finance and human resources		13,623

The excess of expenditures over appropriations resulted primarily from an increase in salaries and related expenditures that were not a part of the approved budget. The excess of expenditures over appropriations were funded by other departments whose expenditures were less than budgeted.

Notes to Financial Statements - Continued

Note 3 - Restricted Fund Balances

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

Streets	\$ 532,459
Streetlights	87,546
Total	<u>\$ 620,005</u>

Note 4 – Individual Fund Deficits

Special Lighting Improvement District I and Special Lighting Improvement District III had deficit fund balances totaling \$4,501 and \$5,191, respectively, resulting from cumulative expenditures in excess of revenues. The City anticipates this deficit 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, 2016, the cash on hand was \$500. The carrying amount of the City's deposits was \$2,740,913 and the bank balance was \$2,861,113. \$500,000 of the bank balance was covered by Federal Depository Insurance while \$2,361,113 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, 2016:

Cash on hand	\$ 500
Unrestricted bank deposits	2,740,913
Cash held by fiscal agent	<u>4,007,700</u>
	<u>\$ 6,749,113</u>

Investments

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

The City's investments at June 30, 2016, are categorized within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

- Level 1 inputs are quoted prices in active markets for identical assets
- Level 2 inputs are significant other observable inputs
- Level 3 inputs are significant unobservable inputs

Notes to Financial Statements - Continued

Note 5 – Cash, Bank Deposits and Investments - Continued

The City's investments at June 30, 2016, are invested in the State of Arizona Local Government Investment Pool (LGIP) in the amount of \$719,305.

Investments in the State Treasurer's investment pools are valued at the pool's share price multiplied by the number of shares the City held. The fair value of a participant's position in the pools approximates the value of that participant's pool shares. The State Board of Investment provides oversight for the State Treasurer's investment pools. Investment earnings are composed of interest, dividends, and net change in the fair value of the applicable investment. Participants in the pool are not required to categorize the value of shares in accordance with the fair value hierarchy.

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, 2016, investments in LGIP Pool 7 had a weighted average Standard and Poor's rating of AAA and investments in LGIP Pool 5 had a weighted average Standard and Poor's rating of AAA f/S1+. The City has no formal policy regarding credit risk.

Concentration of Credit Risk: At June 30, 2016, 12% 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. The City has no investments subject to custodial credit risk and has no formal policy regarding such risk.

Interest Rate Risk: To manage its interest rate risk, the City's policy is to limit its investments in debt securities to those that have original maturities of three years or less. As of June 30, 2016, all investments have a maturity of less than one year.

Note 6 - Due from Other Governments

Amounts due from other governments at June 30, 2016 consist of the following:

	Governmental Activities
City sales tax	\$ 218,870
State sales tax	41,360
Vehicle license tax	10,497
Highway user fund	30,400
	<u>\$ 301,127</u>

Notes to Financial Statements - Continued

Note 7 - Capital Assets

Governmental activities capital asset activity for the year ended June 30, 2016 was as follows:

	<u>Balance,</u> <u>June 30, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance,</u> <u>June 30, 2016</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 3,064,749	\$ 2,868,245	\$ -	\$ 5,932,994
Construction in progress	-	817,845	-	817,845
Total capital assets, not being depreciated	3,064,749	3,686,090	-	6,750,839
<i>Capital assets, being depreciated:</i>				
Buildings	177,002	-	-	177,002
Building improvements	355,742	-	-	355,742
Infrastructure	24,386,528	-	-	24,386,528
Land improvements	757,924	-	-	757,924
Machinery and equipment	729,433	166,499	-	895,932
Office equipment	117,331	-	-	117,331
Vehicles	657,245	67,328	-	724,573
Total capital assets, being depreciated	27,181,205	233,827	-	27,415,032
<i>Less accumulated depreciation for:</i>				
Buildings	(94,739)	(5,900)	-	(100,639)
Building improvements	(176,297)	(29,879)	-	(206,176)
Infrastructure	(8,771,972)	(821,284)	-	(9,593,256)
Land improvements	(275,286)	(25,904)	-	(301,190)
Machinery and equipment	(418,792)	(82,624)	-	(501,416)
Office equipment	(96,149)	(4,308)	-	(100,457)
Vehicles	(589,669)	(24,727)	-	(614,396)
Total accumulated depreciation	(10,422,904)	(994,626)	-	(11,417,530)
Total capital assets, being depreciated, net	16,758,301	(760,799)	-	15,997,502
Governmental activities capital assets, net	\$ 19,823,050	\$ 2,925,291	\$ -	\$ 22,748,341

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

General government	\$ 73,721
Highways and streets	721,952
Public safety	7,106
Public works	191,847
	994,626
Total depreciation expense-governmental activities	\$ 994,626

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, 2016 were as follows:

	<u>Balance,</u> <u>June 30, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance,</u> <u>June 30, 2016</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	492,613	-	-	492,613
Building improvements	150,161	-	-	150,161
Furniture and fixtures	55,514	-	-	55,514
Equipment	54,469	-	-	54,469
Total capital assets, being depreciated	<u>752,757</u>	<u>-</u>	<u>-</u>	<u>752,757</u>
<i>Less accumulated depreciation for:</i>				
Recreation center	(443,843)	(5,395)	-	(449,238)
Building improvements	(73,986)	(19,523)	-	(93,509)
Furniture and fixtures	(7,225)	(2,414)	-	(9,639)
Equipment	(29,775)	(7,854)	-	(37,629)
Total accumulated depreciation	<u>(554,829)</u>	<u>(35,186)</u>	<u>-</u>	<u>(590,015)</u>
Total capital assets, being depreciated, net	<u>197,928</u>	<u>(35,186)</u>	<u>-</u>	<u>162,742</u>
Proprietary fund activities capital assets, net	<u>\$ 228,928</u>	<u>\$ (35,186)</u>	<u>\$ -</u>	<u>\$ 193,742</u>

Notes to Financial Statements - Continued

Note 8 - Interfund Receivables and Payables

The composition of interfund receivables and payables as of June 30, 2016, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Debt service fund	General fund	\$ 164,438
Debt service fund	Capital improvement fund	69,672
Non-major governmental funds	General fund	189,982
Recreation services fund	General fund	235,124
Non-major business-type funds	General fund	31,201
Non-major business-type funds	Non-major governmental funds	112,017
		<u>\$ 802,434</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>Debt Service Fund</u>	<u>Capital Improvement Fund</u>	<u>Recreation Center</u>	<u>Non-Major Funds</u>	
Transfers Out:						
General fund	\$ -	\$ 282,826	\$ 2,543,995	\$ 712,616	\$ 280,500	\$ 3,819,937
Non-major governmental funds	22,150	-	237,005	-	-	259,155
Total transfers out	<u>\$ 22,150</u>	<u>\$ 282,826</u>	<u>\$ 2,781,000</u>	<u>\$ 712,616</u>	<u>\$ 280,500</u>	<u>\$ 4,079,092</u>

In the governmental fund financial statements, total transfers out of \$4,079,092 are greater than total transfers in of \$3,085,976 because of transfers from the general fund to the enterprise funds to support operations. Transfers were also made to the debt services fund to provide for the principal and interest payments on the bond, and capital improvements fund to provide for capital outlays. Transfers between non-major governmental funds to the general fund were made from the Court Enhancement fund, and transfers between non-major governmental funds to the capital improvement fund were made from the Highway Users Revenue Fund.

Notes to Financial Statements - Continued

Note 9 - Long-Term Debt

A summary of long-term debt activity for the year ended June 30, 2016 follows:

	<u>Balance</u> <u>June 30, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2016</u>	<u>Due Within</u> <u>One Year</u>
Governmental activities					
Compensated absences	\$ 186,607	\$ 197,488	\$ (186,607)	\$ 197,488	\$ 157,992
Community Facilities					
District general obligation bonds	3,690,000	-	(260,000)	3,430,000	270,000
Series 15 bonds	-	4,095,000	(230,000)	3,865,000	230,000
Net pension liability	2,491,613	524,409	-	3,016,022	-
Total	<u>\$ 6,368,220</u>	<u>\$ 4,816,897</u>	<u>\$ (676,607)</u>	<u>\$ 10,508,510</u>	<u>\$ 657,992</u>
Business-type activities					
Compensated absences	\$ 30,140	\$ 35,163	\$ (30,140)	\$ 35,163	\$ 32,459
Net pension liability	472,239	413	-	472,652	-
Total	<u>\$ 502,379</u>	<u>\$ 35,576</u>	<u>\$ (30,140)</u>	<u>\$ 507,815</u>	<u>\$ 32,459</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.

The Village at Litchfield Park Community Facilities District term bonds are dated June 11, 2013 and have principal payable due in semi-annual installments. The interest rate is 2.90% and is 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 \$389,518 during 2016 while principal and interest totaled \$363,240). The original issue amount was \$3,940,000 with no underwriter's discount.

Series 2015 Obligation Bonds

On July 15, 2015 the Series 2015 Obligation Bonds were issued by the U.S. Bank National Association to finance costs of certain capital and special projects. The bonds are secured by excise tax revenues and state shared revenues levied directly by the City and collected by Maricopa County, Arizona. The City is not legally obligated for the debt service on the bonds. A single interest rate of 2.58% has been obtained for the life of the bond. Principal and interest payments on the bond obligations are due on July 15 and January 15 of every year until maturity. The original issue amount was \$4,095,000 with no underwriter's discount.

Notes to Financial Statements - Continued

Note 9 - Long-Term Debt – Continued

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

Year Ending <u>June 30</u>	<u>Series 2013 Obligations</u>		<u>Series 2015 Obligations</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 270,000	\$ 95,555	\$ 230,000	\$ 102,684	\$ 500,000	\$ 198,239
2018	275,000	87,653	235,000	96,686	510,000	184,339
2019	285,000	79,533	240,000	90,558	525,000	170,091
2020	295,000	71,122	245,000	84,302	540,000	155,424
2021	300,000	62,495	250,000	77,916	550,000	140,411
2022-2026	1,645,000	174,073	1,355,000	287,993	3,000,000	462,066
2027-2030	360,000	5,220	1,540,000	101,523	1,900,000	106,743
Total	<u>\$ 3,430,000</u>	<u>\$ 575,651</u>	<u>\$ 4,095,000</u>	<u>\$ 841,662</u>	<u>\$ 7,525,000</u>	<u>\$ 1,417,313</u>

Note 10 – Major Revenue Sources

The City has a concentration in revenue resulting from 64% of total revenues, on a fund basis, 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.

Note 12 – Related Party Transactions

The City's Vice Mayor is the managing partner of a law firm that contracts for prosecution services used by 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, 2016 the City paid a total of \$23,627 for these services.

Notes to Financial Statements - Continued

Note 13 – 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, 2015 through June 30, 2016 and the City exercised its option to extend its contract through June 30, 2017. Under the terms of the contract, the City paid \$680,909 to Maricopa County during the year ended June 30, 2016.

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, 2016, the City paid a total of \$555,032 for these services.

The City of Litchfield Park has formed an agreement with a commercial development company to finance the construction of a city wall. The agreement states that the commercial development company will pay \$138,000 to construct the wall, which represents approximately half the cost of the project. Construction is set to begin in fiscal year 2017.

Note 14 - Pensions and Other Postemployment

The City and employees contribute to a retirement plan. The plan is the Arizona State Retirement System (ASRS). Benefits for non-public safety personnel are established based on contributions to the plan.

At June 30, 2016, the City reported the following aggregate amounts related to pensions for which it contributes:

Statement of Net Position and Statement of Activities	Governmental Activities	Business-Type Activities	Total
Net pension liabilities	\$ 3,016,022	\$ 472,652	\$ 3,488,674
Deferred outflows of resources	526,098	82,446	608,544
Deferred inflows of resources	309,512	48,505	358,017
Pension expense	315,487	(38,972)	276,515

A. Arizona State Retirement System

Plan Description: The City contributes to a cost-sharing multiple-employer defined benefit pension plan; a cost-sharing multiple employer defined benefit health insurance premium plan (OPEB); and a cost-sharing, multiple-employer defined benefit long-term disability plan administered by the *Arizona State Retirement System* (ASRS) that covers employees of the State of Arizona and employees of participating political subdivisions and school districts.

The ASRS is governed by the Arizona State Retirement System Board according to the provisions of Arizona Revised Statute Title 38, Chapter 5, Article 2. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. Reports may be obtained online at www.azasrs.gov.

Notes to Financial Statements - Continued

Note 14 - Pensions and Other Postemployment – Continued

Benefits Provided - The ASRS provides retirement, health insurance premium supplement, long-term disability, and survivor benefits. State statute establishes benefit terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

	Retirement initial membership date	
	<i>Before July 1, 2011</i>	<i>On or after July 1, 2011</i>
Years of service and age required to receive benefits	Sum of years and age equals 80 10 years, age 62 5 years, age 50* any years, age 65	30 years, age 55 25 years, age 60 10 years, age 62 5 years, age 50* any years, age 65
Final average salary is based on	Highest 36 consecutive months of last 120 months	Highest 60 consecutive months of last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%

* With actuarially reduced benefits

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earning. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member’s death. For retired members, the retirement benefit option chosen determines the survivor benefit. For all other members, the beneficiary is entitled to the member’s account balance that includes the member’s contribution and employer’s contributions, plus interest earned.

Contributions — In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The Arizona State Legislature establishes and may amend active plan members’ and the County’s contribution rates. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2016, statute required active ASRS members to contribute at the actuarially determined rate of 11.47 percent (11.35 percent for retirement and .12 percent for long-term disability) of the members' annual covered payroll, and statute required the City to contribute at the actuarially determined rate of 11.47 percent (10.85 percent for retirement, .50 percent for health insurance premium benefit and .12 percent for long-term disability) of the active members' annual covered payroll. The City’s contributions to ASRS for the year ended June 30, 2016 were \$243,014.

Notes to Financial Statements - Continued

Note 14 - Pensions and Other Postemployment Benefits – Continued

The City’s contributions for the current and two preceding years for OPEB, all of which were equal to the required contributions, were as follows:

<u>Years ended June 30,</u>	<u>Retirement Fund</u>	<u>Health Benefit Supplement Fund</u>	<u>Long-Term Disability Fund</u>
2016	\$ 229,878	\$ 10,593	\$ 2,543
2015	224,303	12,208	2,526
2014	189,729	10,662	4,262

During fiscal year 2016, the City paid for ASRS pension and OPEB contributions 86% from the general fund and 14% from the enterprise funds.

Pension Liability – At June 30, 2016, the City reported a liability of \$3,488,674 for its proportionate share of the ASRS net pension liability. The net pension liability is measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined using updated procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2014, to the measurement date of June 30, 2015. The City’s proportion of the net pension liability was based on the City’s actual contributions to the plan relative to the total of all employers’ contributions for the year ended June 30, 2015. The City’s proportion measure as of June 30, 2015, was 0.022 percent, which was consistent to its proportion measured as of June 30, 2014.

Pension Expense and Deferred Outflows / Inflows of Resources – For the year ended June 30, 2016, the City recognized pension expense for ASRS of \$243,014. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

ASRS	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 365,531	\$ 182,810
Net Difference between projected and actual earnings	-	111,804
Changes in proportion and differences between contributions and proportionate share of contributions	-	63,403
City contributions subsequent to the measurement date	243,014	-
Total	<u>\$ 608,545</u>	<u>\$ 358,017</u>

Notes to Financial Statements - Continued

Note 14 - Pensions and Other Postemployment Benefits – Continued

The \$243,014 reported as deferred outflows of resources relates to ASRS pensions resulting from the City's contributions subsequent to the measurement recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

Year ending June 30

2017	\$ 70
2018	(17,051)
2019	(56,214)
2020	80,709

Actuarial Assumptions – The significant actuarial assumptions used to measure the total pension liability are as follows:

Actuarial valuation date	June 30, 2014
Actuarial roll forward date	June 30, 2015
Actuarial cost method	Entry age normal
Investment rate of return	8%
Projected salary increases	3 – 6.75%
Inflation	3%
Permanent benefit increase	Included
Mortality rates	1994 GAM Scale BB

Actuarial assumptions used in the June 30, 2014, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2012.

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.79 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best-estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	58%	6.79%
Fixed income	25%	3.70%
Real estate	10%	4.25%
Multi-asset	5%	3.41%
Commodities	2%	3.93%
Total	100%	

Notes to Financial Statements - Continued

Note 14 - Pensions and Other Postemployment Benefits – Continued

Discount Rate – The discount rate used to measure the ASRS total pensions liability was 8 percent, which is less than the long-term expected rate of return of 8.79 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board’s funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District’s Proportionate Share of the ASRS Net Pension Liability to changes in the Discount Rate – The following table presents the City’s proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7 percent) or 1 percentage point higher (9 percent) than the current rate.

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
The District’s proportionate share of the net pension liability	<u>\$ 4,571,355</u>	<u>\$ 3,488,674</u>	<u>\$ 2,746,682</u>

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued ASRS financial report.

Note 15 – 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, 2016, 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, 2016 totaled \$66,865, of which \$16,576 was contributed by the City.

Note 16 - Subsequent Event

On January 18, 2017, the City purchase 5.5 acres of vacant land within City boundaries. The City purchased the land using cash in the capital improvements fund and it intends to develop this land as part of a new City center.

Supplemental Information

City of Litchfield Park, Arizona
Required Supplementary Information
Schedule of the City's Proportionate Share of the Net Pension Liability
Cost Sharing Pension Plans
Year Ended June 30, 2016

Arizona State Retirement System	Reporting Fiscal Year (Measurement Date)		
	2016 (2015)	2015 (2014)	2014 through 2007
City's proportion of the net pension liability	0.02240%	0.02003%	Information
City's proportionate share of the net pension liability	\$ 3,488,674	\$ 2,963,852	not available
City's covered payroll	2,062,902	1,805,617	
City's proportionate share of the net pension liability as a percentage of its covered payroll	169.11%	164.15%	
Plan fiduciary net position as a percentage of the total pension liability	68.35%	69.49%	

City of Litchfield Park, Arizona
Required Supplementary Information
Schedule of City Pension Contributions
Year Ended June 30, 2016

Arizona State Retirement System	Reporting Fiscal Year			2013 through 2007
	2016	2015	2014	
Statutorily required contribution	\$ 243,014	\$ 224,650	\$ 193,201	Information not available
City's contributions in relation to the statutorily required contribution	243,014	224,650	193,201	
City's contribution deficiency (excess)	\$ -	\$ -	\$ -	
City's covered payroll	\$ 2,239,760	\$ 2,062,902	\$ 1,805,617	
City's contributions as a percentage of covered payroll	10.85%	10.89%	10.70%	

City of Litchfield Park, Arizona
Notes to Pension Plan Schedules
Year Ended June 30, 2016

Note 1 – Change in accounting principle

For the year ended June 30, 2016, the City implemented the provisions of GASB Statement No. 82, *Pension Issues*. The statement changed the measure of payroll that is required to be presented in required supplementary information from covered-employee payroll to covered payroll. Accordingly, payroll amounts presented in the pension plan schedules and related ratios for prior periods have been restated.

Combining Statements - Nonmajor Special Revenue Funds

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

Highway User Revenue Fund:

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

Court Enhancement

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

Special Lighting Improvement Districts I, II and III:

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

City of Litchfield Park, Arizona
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2016

	Special Revenue Funds					Total
	Highway Users Revenue 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	\$ 279,753	\$290,169	\$ 1,881	\$ 27,223	\$ -	\$ 599,026
Investments	90,038	-	-	-	-	90,038
Accounts receivable	-	1,445	280	2,610	262	4,597
Due from other governments	30,399	-	-	-	-	30,399
Due from other funds	<u>132,269</u>	<u>-</u>	<u>-</u>	<u>57,713</u>	<u>-</u>	<u>189,982</u>
Total assets	<u>\$ 532,459</u>	<u>\$291,614</u>	<u>\$ 2,161</u>	<u>\$ 87,546</u>	<u>\$ 262</u>	<u>\$ 914,042</u>
Liabilities and Fund Balances						
Liabilities:						
Due to other funds	<u>\$ -</u>	<u>\$ 99,902</u>	<u>\$ 6,662</u>	<u>\$ -</u>	<u>\$ 5,453</u>	<u>\$ 112,017</u>
Total liabilities	-	99,902	6,662	-	5,453	112,017
Fund balances:						
Restricted	532,459	-	-	87,546	-	620,005
Committed	-	191,712	-	-	-	191,712
Unassigned	<u>-</u>	<u>-</u>	<u>(4,501)</u>	<u>-</u>	<u>(5,191)</u>	<u>(9,692)</u>
Total fund balances (deficit)	<u>532,459</u>	<u>191,712</u>	<u>(4,501)</u>	<u>87,546</u>	<u>(5,191)</u>	<u>802,025</u>
Total liabilities and fund balances (deficit)	<u>\$ 532,459</u>	<u>\$291,614</u>	<u>\$ 2,161</u>	<u>\$ 87,546</u>	<u>\$ 262</u>	<u>\$ 914,042</u>

City of Litchfield Park, Arizona
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Non-Major Governmental Funds
Year ended June 30, 2016

	Special Revenue Funds					Total
	Highway Users Revenue 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	\$ -	\$ -	\$ 36,930	\$ 183,926	\$ 31,106	\$ 251,962
Intergovernmental	351,811	-	-	-	-	351,811
Fines	-	14,068	-	-	-	14,068
Investment earnings	<u>13</u>	<u>527</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>540</u>
Total revenues	351,824	14,595	36,930	183,926	31,106	618,381
Expenditures						
Streets	73,339	-	-	-	-	73,339
Streetlights	<u>-</u>	<u>-</u>	<u>34,925</u>	<u>155,235</u>	<u>42,087</u>	<u>232,247</u>
Total expenditures	<u>73,339</u>	<u>-</u>	<u>34,925</u>	<u>155,235</u>	<u>42,087</u>	<u>305,586</u>
Excess (deficiency) of revenues over expenditures	278,485	14,595	2,005	28,691	(10,981)	312,795
Other financing uses						
Transfers out	<u>(237,005)</u>	<u>(22,150)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(259,155)</u>
Net change in fund balances	41,480	(7,555)	2,005	28,691	(10,981)	53,640
Fund balances (deficit), July 1, 2015	<u>490,979</u>	<u>199,267</u>	<u>(6,506)</u>	<u>58,855</u>	<u>5,790</u>	<u>748,385</u>
Fund balances (deficit), June 30, 2016	<u>\$ 532,459</u>	<u>\$ 191,712</u>	<u>\$ (4,501)</u>	<u>\$ 87,546</u>	<u>\$ (5,191)</u>	<u>\$ 802,025</u>

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

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

City of Litchfield Park, Arizona
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
Debt Service - CFD Fund
Year ended June 30, 2016

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Taxes	\$ 369,467	\$ 389,518	\$ 20,051
Investment earnings	20	565	545
Total revenues	369,487	390,083	20,596
Expenditures			
Debt service	369,470	704,722	(335,252)
Total expenditures	369,470	704,722	(335,252)
Excess of revenues over (under) expenditures	17	(314,639)	(314,656)
Other financing sources			
Transfers in	-	282,826	282,826
Net change in fund balance	<u>\$ 17</u>	<u>\$ (31,813)</u>	<u>\$ (31,830)</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, 2016

	Original Budget	Amendments	Final Budget	Actual	Variance Positive (Negative)
Revenues					
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-	-
Expenditures					
General Governmental	-	-	-	216,357	(216,357)
Streets	2,109,000	(77,000)	2,032,000	773,994	1,258,006
Interest and fiscal charges	-	-	-	87,299	(87,299)
Capital outlay	<u>1,000,000</u>	<u>-</u>	<u>1,000,000</u>	<u>3,919,917</u>	<u>(2,919,917)</u>
Total expenditures	<u>3,109,000</u>	<u>(77,000)</u>	<u>3,032,000</u>	<u>4,997,567</u>	<u>(1,965,567)</u>
(Deficiency) excess of revenue over expenditures	(3,109,000)	77,000	(3,032,000)	(4,997,567)	(1,965,567)
Other financing sources					
Proceeds from bond issuance	-	-	-	4,095,000	4,095,000
Transfers in	<u>2,109,000</u>	<u>(77,000)</u>	<u>2,032,000</u>	<u>2,781,000</u>	<u>749,000</u>
Net change in fund balance	<u>\$ (1,000,000)</u>	<u>\$ -</u>	<u>\$ (1,000,000)</u>	<u>\$ 1,878,433</u>	<u>\$ 2,878,433</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, 2016

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Intergovernmental	\$ 341,705	\$ 351,811	\$ 10,106
Investment earnings	-	13	13
Total revenues	341,705	351,824	10,119
Expenditures			
Streets	104,700	73,339	31,361
Excess of revenues over expenditures	237,005	278,485	41,480
Other financing uses			
Transfers out	(211,763)	(237,005)	(25,242)
Net change in fund balance	<u>\$ 25,242</u>	<u>\$ 41,480</u>	<u>\$ 16,238</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, 2016

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Fines	\$ 16,720	\$ 14,068	\$ (2,652)
Investment earnings	<u>-</u>	<u>527</u>	<u>527</u>
Total revenues	16,720	14,595	(2,125)
Expenditures			
Public safety	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenue over expenditures	<u>16,720</u>	<u>14,595</u>	<u>(2,125)</u>
Other financing uses			
Transfers out	<u>(16,720)</u>	<u>(22,150)</u>	<u>(5,430)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (7,555)</u>	<u>\$ (7,555)</u>

**City of Litchfield Park, Arizona
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Special Lighting Improvement District I
Year ended June 30, 2016**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Special assessments	\$ 36,865	\$ 36,930	\$ 65
Total revenues	36,865	36,930	65
Expenditures			
Streetlights	<u>35,063</u>	<u>34,925</u>	<u>138</u>
Net change in fund balance	<u>\$ 1,802</u>	<u>\$ 2,005</u>	<u>\$ 203</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, 2016

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Special assessments	\$ 189,995	\$ 183,926	\$ (6,069)
Total revenues	189,995	183,926	(6,069)
Expenditures			
Streetlights	<u>155,282</u>	<u>155,235</u>	<u>47</u>
Net change in fund balance	<u>\$ 34,713</u>	<u>\$ 28,691</u>	<u>\$ (6,022)</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, 2016

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Special assessments	\$ 31,213	\$ 31,106	\$ (107)
Total revenues	31,213	31,106	(107)
Expenditures			
Streetlights	<u>39,635</u>	<u>42,087</u>	<u>(2,452)</u>
Net change in fund balance	<u>\$ (8,422)</u>	<u>\$ (10,981)</u>	<u>\$ (2,559)</u>

Combining Statements - Nonmajor Proprietary Funds

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

Community Services Fund:

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

Special Events Fund:

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

City of Litchfield Park, Arizona
Combining Statement of Net Position
Non-Major Proprietary Funds
June 30, 2016

	<u>Enterprise Funds</u>		
	<u>Community Services</u>	<u>Special Events</u>	<u>Total</u>
Assets			
Cash on hand and in bank	\$ -	\$ -	\$ -
Due from other funds	73,596	69,622	143,218
Total assets	73,596	69,622	143,218
Deferred Outflows of Resources			
Deferred outflows related to pensions	8,774	13,084	21,858
Total deferred outflows of resources	8,774	13,084	21,858
Liabilities			
Accounts payable	15,004	-	15,004
Net pension liability	50,303	75,009	125,312
Compensated absences payable, current portion	11,900	-	11,900
Compensated absences payable, net of current portion	-	-	-
Total liabilities	77,207	75,009	152,216
Deferred Inflows of Resources			
Deferred inflows related to pensions	5,163	7,697	12,860
Total deferred inflows of resources	5,163	7,697	12,860
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, 2016

	<u>Enterprise Funds</u>		Total Funds
	<u>Community Services</u>	<u>Special Events</u>	
Operating revenues			
Current use charges	\$ 4,000	\$ -	\$ 4,000
Special programs	<u>230</u>	<u>184,814</u>	<u>185,044</u>
Total operating revenues	4,230	184,814	189,044
Operating expenses			
Administrative	49,310	83,462	132,772
Operating	-	1,092	1,092
Special programs	<u>42,335</u>	<u>128,740</u>	<u>171,075</u>
Total operating expenses	<u>91,645</u>	<u>213,294</u>	<u>304,939</u>
Operating loss before transfers	(87,415)	(28,480)	(115,895)
Transfers in	<u>212,572</u>	<u>67,928</u>	<u>280,500</u>
Net loss	125,157	39,448	164,605
Net position (deficit), July 1, 2015	<u>(125,157)</u>	<u>(39,448)</u>	<u>(164,605)</u>
Net position, June 30, 2016	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Litchfield Park, Arizona
Combining Statement of Cash Flows
Non-Major Proprietary Funds
Year ended June 30, 2016

	Business-Type Activities -		
	Enterprise Funds		
	Community Services	Special Events	Total
Cash flows from operating activities:			
Cash received for services	\$ 4,230	\$ 184,814	\$ 189,044
Cash paid to vendors	(27,331)	(129,832)	(157,163)
Cash paid to or on behalf of employees	(43,769)	(74,622)	(118,391)
Net cash used for operating activities	(66,870)	(19,640)	(86,510)
Cash flows from noncapital financing activities:			
Transfers in from the general fund	212,572	67,928	280,500
Negative cash balance implicitly paid	(145,702)	(48,288)	(193,990)
Net cash provided by noncapital financing activities	66,870	19,640	86,510
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	\$ (87,415)	\$ (28,480)	\$ (115,895)
Adjustments to reconcile operating loss to net cash used for operating activities:			
Increase in deferred outflows of resources	(3,529)	(5,693)	(9,222)
Increase in net pension liability	10,407	18,794	29,201
Decrease in deferred inflows of resources	(3,324)	(4,261)	(7,585)
Increase in compensated absences	16,991	-	16,991
Net cash used for operating activities	\$ (66,870)	\$ (19,640)	\$ (86,510)

Capital Asset Schedules



City of Litchfield Park, Arizona
Schedule of Capital Assets - By Function and Activity
June 30, 2016

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	\$ 23,119	\$ 117,331	\$ 757,924	\$ 260,309	\$ 177,002	\$ 355,918	\$ 5,750,839	\$ 7,545,331
Public safety	45,532	14,230	-	-	-	-	-	-	59,762
Highways and streets	-	-	-	-	-	-	21,307,945	-	21,307,945
Public works:									
Parks and right-of-way	576,152	838,757	-	-	95,433	-	2,673,809	-	4,184,151
Culture and recreation	-	19,826	-	-	-	-	48,856	1,000,000	1,068,682
Total capital assets	<u>\$ 724,573</u>	<u>\$ 895,932</u>	<u>\$ 117,331</u>	<u>\$ 757,924</u>	<u>\$ 355,742</u>	<u>\$ 177,002</u>	<u>\$ 24,386,528</u>	<u>\$ 6,750,839</u>	34,165,871
Less accumulated depreciation									(11,417,530)
Net capital assets									<u>\$ 22,748,341</u>

City of Litchfield Park, Arizona
Schedule of Changes in Capital Assets - By Function and Activity
Year Ended June 30, 2016

Function and Activity	Balance as of June 30, 2015	Additions	Deletions	Balance as of June 30, 2016
General government	\$ 3,859,241	\$ 3,686,090	\$ -	\$ 7,545,331
Public safety	59,762	-	-	59,762
Highways and streets	21,307,945	-	-	21,307,945
Public works				
Parks and right-of-way	3,950,324	233,827	-	4,184,151
Culture and recreation	1,068,682	-	-	1,068,682
Total capital assets	30,245,954	3,919,917	-	34,165,871
Less accumulated depreciation	(10,422,904)	(994,626)	-	(11,417,530)
Net capital assets	\$ 19,823,050	\$ 2,925,291	\$ -	\$ 22,748,341

NOI + CQS I + QCI + S + S + S + 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 of Governmental Funds
- Changes in Fund Balances of Governmental Funds
- Governmental Activities Tax Revenues by Source
- Governmental Activities 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)

	2007	2008	2009	As restated 2010	2011	As restated 2012	As restated 2013	As restated 2014	2015	2016
Governmental activities										
Net investment in capital assets	\$ 7,773,210	\$ 10,515,026	\$ 11,012,304	\$ 12,448,002	\$ 13,145,855	\$ 12,868,602	\$ 13,270,165	\$ 15,130,915	\$ 16,133,050	\$ 15,453,341
Restricted	2,182,068	2,159,887	2,163,839	2,378,283	2,456,808	2,273,027	5,530,008	529,337	635,766	4,135,707
Unrestricted	6,232,221	3,654,841	4,073,955	3,845,962	3,644,091	4,343,242	803,439	3,887,015	2,548,234	(1,504,004)
Total governmental activities net position	\$ 16,187,499	\$ 16,329,754	\$ 17,250,098	\$ 18,672,247	\$ 19,246,754	\$ 19,484,871	\$ 19,603,612	\$ 19,547,267	\$ 19,317,050	\$ 18,085,044
Business-type activities										
Net investment in capital assets	\$ 240,796	\$ 211,632	\$ 197,807	\$ 172,989	\$ 152,816	\$ 169,623	\$ 220,724	\$ 214,111	\$ 228,928	\$ 193,742
Unrestricted (deficit)	(111,469)	65,611	169,849	(172,989)	(152,816)	(169,623)	(220,724)	(739,499)	(843,576)	(193,742)
Total business-type activities net position	\$ 129,327	\$ 277,243	\$ 367,656	\$ -	\$ -	\$ -	\$ -	\$ (525,388)	\$ (614,648)	\$ -
Primary government										
Net investment in capital assets	\$ 8,014,006	\$ 10,726,658	\$ 11,210,111	\$ 12,620,991	\$ 13,298,671	\$ 13,038,225	\$ 13,490,889	\$ 15,345,026	\$ 16,361,978	\$ 15,647,083
Restricted	2,182,068	2,159,887	2,163,839	2,378,283	2,262,936	2,273,027	5,530,008	529,337	635,766	4,135,707
Unrestricted (deficit)	6,120,212	3,849,009	4,243,804	3,672,973	3,685,147	4,173,619	582,715	3,147,516	1,704,658	(1,697,746)
Total primary government net position	\$ 16,316,286	\$ 16,735,554	\$ 17,617,754	\$ 18,672,247	\$ 19,246,754	\$ 19,484,871	\$ 19,603,612	\$ 19,021,879	\$ 18,702,402	\$ 18,085,044

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)

Expenses	As restated									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities:										
General government	\$ 1,227,191	\$ 1,385,707	\$ 1,321,161	\$ 1,341,656	\$ 1,211,802	\$ 1,340,887	\$ 1,614,562	\$ 1,723,100	\$ 1,668,550	\$ 2,159,373
Public safety	613,069	793,398	782,206	735,388	1,166,193	1,165,910	1,185,866	1,209,102	1,308,032	1,430,533
Public works	2,224,797	2,183,719	2,337,911	2,270,364	2,342,011	2,250,313	2,536,120	2,496,878	2,461,077	2,607,736
Streets	564,312	852,841	615,523	465,604	323,461	745,600	1,139,038	1,591,832	1,730,087	1,850,901
Streetlights	150,420	152,073	191,298	200,430	213,300	218,914	225,161	228,599	229,612	232,247
Interest on long-term debt	358,100	384,727	340,960	331,838	321,387	310,386	297,787	125,052	107,010	204,722
Total governmental activities expenses	\$ 5,137,889	\$ 5,752,465	\$ 5,589,059	\$ 5,345,280	\$ 5,578,154	\$ 6,032,010	\$ 6,998,534	\$ 7,374,563	\$ 7,504,368	\$ 8,485,512
Business-type activities:										
Community and Recreation Services	\$ 1,013,464	\$ 1,096,341	\$ 982,950	\$ 902,476	\$ 849,836	\$ 879,909	\$ 1,014,666	\$ 978,019	\$ 1,071,914	\$ 1,004,236
Total business-type activities expenses	1,013,464	1,096,341	982,950	902,476	849,836	879,909	1,014,666	978,019	1,071,914	1,004,236
Total primary government expenses	\$ 6,151,353	\$ 6,848,806	\$ 6,572,009	\$ 6,247,756	\$ 6,427,990	\$ 6,911,919	\$ 8,013,200	\$ 8,352,582	\$ 8,576,282	\$ 9,489,748
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 187,555	\$ 25,165	\$ 24,355	\$ 53,662	\$ 51,850	\$ 56,547	\$ 53,015	\$ 48,863	\$ -	\$ -
Public safety	120,111	176,155	150,687	95,125	102,567	113,557	107,392	94,770	105,686	67,448
Public works	361,557	244,560	115,130	139,516	218,405	310,650	452,893	334,088	533,136	772,322
Streetlights	145,492	201,673	226,040	209,925	198,109	227,222	223,816	209,973	225,697	251,962
Capital grants and contributions	350,467	613,791	293,295	934,945	647,899	660,444	604,429	3,324,874	564,650	353,313
Total governmental activities program revenues	\$ 1,165,182	\$ 1,261,344	\$ 809,507	\$ 1,433,173	\$ 1,218,830	\$ 1,368,420	\$ 1,441,545	\$ 4,012,568	\$ 1,429,169	\$ 1,445,045
Business-type activities:										
Charges for services:										
Community and recreation services	\$ 489,143	\$ 472,709	\$ 501,163	\$ 491,767	\$ 527,654	\$ 559,871	\$ 602,240	\$ 627,554	\$ 639,978	\$ 625,768
Capital grants and contributions	-	40,852	-	-	-	-	-	-	-	-
Total business-type activities program revenues	489,143	513,561	501,163	491,767	527,654	559,871	602,240	627,554	639,978	625,768
Total primary government program revenues	\$ 1,654,325	\$ 1,774,905	\$ 1,310,670	\$ 1,924,940	\$ 1,746,484	\$ 1,928,291	\$ 2,043,785	\$ 4,640,122	\$ 2,069,147	\$ 2,070,813
Net (expense)/revenue										
Governmental Activities	\$ (3,972,707)	\$ (4,491,121)	\$ (4,779,552)	\$ (3,912,107)	\$ (4,359,324)	\$ (4,663,590)	\$ (5,556,989)	\$ (3,361,995)	\$ (6,075,199)	\$ (7,040,467)
Business-type activities	(524,321)	(582,780)	(481,787)	(410,709)	(322,182)	(320,038)	(412,426)	(350,465)	(431,936)	(378,468)
Total primary government net expense	\$ (4,497,028)	\$ (5,073,901)	\$ (5,261,339)	\$ (4,322,816)	\$ (4,681,506)	\$ (4,983,628)	\$ (5,969,415)	\$ (3,712,460)	\$ (6,507,135)	\$ (7,418,935)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
City sales tax	\$ 3,882,231	\$ 3,808,889	\$ 3,852,348	\$ 3,791,850	\$ 4,209,664	\$ 4,059,911	\$ 4,791,360	\$ 4,970,113	\$ 4,698,912	\$ 5,284,921
Shared revenues	1,476,541	1,235,867	1,202,192	1,069,298	943,485	1,065,828	1,190,797	1,282,529	1,372,666	1,401,084
Miscellaneous	134,320	103,911	1,059,574	507,682	97,693	90,876	94,583	169,515	112,584	111,821
Investment income	498,608	343,962	29,425	8,479	6,814	5,130	11,416	5,988	3,496	3,751
Transfers	(690,484)	(741,948)	(560,948)	(43,053)	(323,825)	(320,038)	(412,426)	(350,465)	(342,675)	(993,116)
Total governmental activities	\$ 5,301,216	\$ 4,750,681	\$ 5,582,591	\$ 5,334,256	\$ 4,933,831	\$ 4,901,707	\$ 5,675,730	\$ 6,077,680	\$ 5,844,983	\$ 5,808,461
Business-type activities:										
Other income	\$ -	\$ -	\$ -	\$ -	\$ (1,643)	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers	690,484	741,948	560,948	43,053	323,825	320,038	412,426	350,465	342,675	993,116
Total business-type activities	690,484	741,948	560,948	43,053	322,182	320,038	412,426	350,465	342,675	993,116
Total primary government	\$ 5,991,700	\$ 5,492,629	\$ 6,143,539	\$ 5,377,309	\$ 5,256,013	\$ 5,221,745	\$ 6,088,156	\$ 6,428,145	\$ 6,187,658	\$ 6,801,577
Change in Net Position										
Governmental activities	\$ 1,328,509	\$ 259,560	\$ 803,039	\$ 1,422,149	\$ 574,507	\$ 238,117	\$ 118,741	\$ 2,715,685	\$ (230,216)	\$ (1,232,006)
Business-type activities	166,163	159,168	79,161	(367,656)	-	-	-	-	(89,261)	614,648
Total primary government	\$ 1,494,672	\$ 418,728	\$ 882,200	\$ 1,054,493	\$ 574,507	\$ 238,117	\$ 118,741	\$ 2,715,685	\$ (319,477)	\$ (617,358)

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)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>As restated 2010</u>	<u>2011</u>	<u>As restated 2012</u>	<u>As restated 2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General fund (1)										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,292
Unreserved	3,629,198	2,057,848	2,345,193	3,398,944	-	-	-	-	-	-
Unassigned	-	-	-	-	2,792,493	2,739,259	3,886,091	4,507,252	3,387,179	1,036,608
Total general fund	<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>	<u>\$ 4,507,252</u>	<u>\$ 3,387,179</u>	<u>\$ 1,040,900</u>
General fund as % of current year revenues¹										
Nonspendable	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.06%
Unreserved	60.33%	36.63%	47.56%	67.74%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Unassigned	0.00%	0.00%	0.00%	0.00%	53.42%	51.03%	61.65%	69.18%	50.98%	14.32%
Total general fund	60.33%	36.63%	47.56%	67.74%	53.42%	51.03%	61.65%	69.18%	50.98%	14.38%
General fund as % of current year expenditures²										
Reserved	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Unreserved	92.17%	48.12%	57.11%	89.21%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Unassigned	0.00%	0.00%	0.00%	0.00%	63.76%	59.70%	79.21%	87.46%	61.13%	17.91%
Total general fund	92.17%	48.12%	57.11%	89.21%	63.76%	59.70%	79.21%	87.46%	61.13%	17.91%
All other governmental funds (1)										
Unreserved reported in:										
Special revenue funds	\$ 581,471	\$ 635,457	\$ 676,533	\$ 857,223	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt service	1,606,852	1,580,286	1,566,720	1,581,164	-	-	-	-	-	-
Capital projects funds	4,289,095	3,202,776	1,148,268	334,772	-	-	-	-	-	-
Restricted	-	-	-	-	2,262,936	2,273,027	5,530,008	529,337	635,766	4,135,707
Committed	-	-	-	-	991,160	1,562,734	1,611,188	2,075,364	1,788,207	191,712
Unassigned	-	-	-	-	(10,291)	(12,050)	(17,907)	(6,757)	(6,506)	(9,692)
Total all other governmental funds	<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>\$ 3,823,711</u>	<u>\$ 7,123,289</u>	<u>\$ 2,597,944</u>	<u>\$ 2,417,467</u>	<u>\$ 4,317,727</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>2007</u>	<u>2008</u>	<u>2009</u>	<u>As restated 2010</u>	<u>2011</u>	<u>As restated 2012</u>	<u>As restated 2013</u>	<u>As restated 2014</u>	<u>2015</u>	<u>2016</u>
Revenues										
Taxes	\$ 3,882,231	\$ 3,808,887	\$ 3,852,348	\$ 3,791,850	\$ 4,209,664	\$ 4,059,911	\$ 4,791,360	\$ 4,970,113	\$ 4,698,913	\$ 5,284,927
Special assessments	145,492	201,673	226,040	209,925	198,109	227,222	223,816	209,973	225,696	251,962
Licenses and permits	387,867	269,725	139,485	163,386	244,245	350,009	483,528	362,978	533,136	772,322
Intergovernmental	1,476,541	1,741,337	1,495,487	2,004,245	1,446,015	1,418,204	1,541,913	1,607,888	1,937,316	1,754,397
Developer contributions	350,467	108,321	-	-	145,369	308,068	253,313	169,467	-	-
Fines	120,111	176,155	150,687	124,917	128,577	130,745	129,772	114,743	105,686	67,448
Investment earnings	498,608	343,963	29,425	8,479	6,814	5,132	11,416	5,988	3,496	3,751
Miscellaneous	146,059	106,156	59,574	183,682	97,693	90,875	94,583	169,515	112,584	111,821
Total revenues	<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>6,590,166</u>	<u>7,529,701</u>	<u>7,610,665</u>	<u>7,616,827</u>	<u>8,246,628</u>
Expenditures										
General government	1,185,622	1,332,758	1,274,152	1,272,862	1,167,422	1,261,861	1,277,876	1,445,719	1,668,724	1,882,081
Public safety	584,831	793,398	782,140	734,295	1,166,193	1,165,910	1,185,866	1,201,996	1,300,926	1,423,427
Public works	1,962,838	1,804,497	1,845,957	1,889,950	1,866,641	2,070,764	2,357,130	2,346,845	2,301,381	2,415,889
Streets	42,372	198,209	205,969	208,004	217,344	130,761	555,022	902,987	1,008,134	1,128,949
Streetlights	150,420	152,073	191,298	200,430	213,300	218,914	225,161	228,599	229,612	232,247
Capital outlay	2,673,931	3,752,043	2,311,273	1,180,663	1,136,179	374,858	215,605	143,186	1,698,915	3,919,917
Debt service										
Principal retirement	214,549	231,782	170,000	180,000	190,000	190,000	225,000	4,770,000	260,000	500,000
Interest and fiscal charges	358,100	379,758	350,962	341,838	331,387	330,388	297,787	125,052	107,010	204,722
Cost of issuance	-	-	-	-	-	-	271,418	-	-	87,299
Total expenditures	<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>	<u>11,164,384</u>	<u>8,574,702</u>	<u>11,794,531</u>
Excess of revenues over (under) expenditures	\$ (165,287)	\$ (1,888,301)	\$ (1,178,705)	\$ 478,442	\$ 188,020	\$ 846,710	\$ 918,836	\$ (3,553,719)	\$ (957,875)	\$ (3,547,903)
Other financing sources (uses)										
Proceeds from debt obligations	-	-	-	-	-	-	3,940,000	-	-	4,095,000
Transfers in	5,000,000	2,500,000	262,811	167,167	1,345,702	711,818	1,091,958	1,303,554	2,125,720	3,085,976
Transfers out	(5,690,484)	(3,241,948)	(823,759)	(210,220)	(1,669,527)	(1,031,856)	(1,504,384)	(1,654,019)	(2,468,395)	(4,079,092)
Net change in fund balances	<u>\$ (855,771)</u>	<u>\$ (2,630,249)</u>	<u>\$ (1,739,653)</u>	<u>\$ 435,389</u>	<u>\$ (135,805)</u>	<u>\$ 526,672</u>	<u>\$ 4,446,410</u>	<u>\$ (3,904,184)</u>	<u>\$ (1,300,550)</u>	<u>\$ (446,019)</u>
Debt service as a percentage of non-capital expenditures	12.7%	12.5%	10.8%	10.8%	10.1%	9.7%	8.2%	44.4%	5.3%	8.9%

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)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
City sales taxes ¹	\$ 3,556,977	\$ 3,202,601	\$ 3,133,350	\$ 3,075,611	\$ 3,619,867	\$ 3,448,373	\$ 4,179,555	\$ 4,353,904	\$ 4,074,303	\$ 4,683,003
Franchise taxes	325,254	232,274	220,264	194,971	213,348	216,729	220,663	229,597	235,880	212,399
Community Facilities District	298,668	374,011	498,734	521,268	376,449	394,809	391,142	386,612	388,730	389,519
Total taxes	<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>	<u>\$ 4,970,113</u>	<u>\$ 4,698,913</u>	<u>\$ 5,284,921</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)

	2007	2008	2009	As restated 2010	2011	2012	2013	2014	2015	2016
State shared sales tax	\$ 430,374	\$ 416,141	\$ 360,262	\$ 332,289	\$ 352,682	\$ 427,896	\$ 448,221	\$ 476,646	\$ 500,445	\$ 516,869
Urban revenue sharing	514,089	637,226	676,822	584,612	440,723	462,178	559,362	610,370	662,904	659,310
HURF revenues	323,559	311,482	271,919	257,612	265,217	274,159	299,809	309,202	339,134	351,811
Auto in-lieu	188,060	182,500	165,108	152,400	150,080	175,754	183,214	195,513	209,317	224,905
LTAF revenues	20,459	30,281	21,376	12,298	-	-	-	-	-	-
Grants revenues	-	163,707	-	665,035	237,313	78,217	51,307	16,157	225,516	1,502
Total intergovernmental revenue	<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>	<u>\$ 1,607,888</u>	<u>\$ 1,937,316</u>	<u>\$ 1,754,397</u>

Source: Combining Statement of Revenues,
Expenditures and Changes in Fund
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
2015-16	\$ 67,851,806	\$ 82,200,611	\$ 800,507,817	10.27%
2014-15	65,061,363	75,470,349	720,020,160	10.48%
2013-14	63,188,186	65,199,227	604,412,223	10.79%
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%

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
2015-16	\$ 67,851,806	\$ 36,198,108,538	0.19%
2014-15	65,061,363	34,757,248,273	0.19%
2013-14	63,188,186	33,493,119,633	0.19%
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%

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>2016</u>						
Primary	0	1.9019	1.2376	2.2447	2.0845	7.4687
Secondary	0	0.6913	0.2275	1.5695	1.3889	3.8772
<u>2015</u>						
Primary	0	1.8663	1.2628	2.2606	2.0732	7.4629
Secondary	0	0.6685	0.2312	1.5746	1.1935	3.6678
<u>2014</u>						
Primary	0	1.8298	1.2824	2.3282	2.9900	8.4304
Secondary	0	0.5317	0.2363	1.4498	1.2105	3.4283
<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

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

**City of Litchfield Park, Arizona
Overlapping Debt
June 30, 2016**

Overlapping Municipality	Secondary Assessed Valuation	Gross Bonded Debt	Proportion Applicable to City of Litchfield Park		
			Percentage¹	Amount	Per Capita
City of Litchfield Park	\$ 82,200,611	\$ 3,160,000	100%	\$ 3,160,000	\$ 510.67
Total direct and general bonded debt		<u>3,160,000</u>		<u>3,160,000</u>	
Maricopa County	44,893,688,035	252,453,681	0.18%	462,244	74.70
Maricopa County Community College District	44,893,688,035	534,225,000	0.18%	978,169	158.08
Agua Fria Union High School District #216	1,276,851,278	60,605,368	6.44%	3,901,628	630.52
Litchfield Elementary School District #79	856,492,278	<u>45,747,147</u>	9.60%	<u>4,390,516</u>	709.52
Total overlapping general bonded debt		<u>893,031,196</u>		<u>9,732,557</u>	
Total overlapping and direct general bonded debt		<u>\$ 896,191,196</u>		<u>\$ 12,892,557</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 Treasury - Bonded Indebtedness Reports

City of Litchfield Park, Arizona
Ratios of Outstanding Debt by Type
2007-2016

Fiscal Year Ended June 30,	Governmental Activities			Total Primary Government	Percentage of Actual Taxable Value of Property	Percentage of Median Household Income	Per Capita
	General Obligation Bonds	Special Assessment Bonds	Capital Lease Obligations				
2016	\$ 4,095,000	\$3,160,000	\$ -	\$ 7,255,000	4.66%	2.66%	511
2015	-	3,690,000	-	3,690,000	5.67%	2.28%	613
2014	-	3,940,000	-	3,940,000	6.24%	2.14%	684
2013	-	8,685,000	-	8,685,000	13.98%	0.97%	1,545
2012	-	4,955,000	-	4,955,000	7.11%	1.70%	897
2011	-	5,155,000	-	5,155,000	7.44%	1.63%	941
2010	-	5,345,000	-	5,345,000	6.24%	1.58%	976
2009	-	5,525,000	-	5,525,000	5.78%	1.52%	1,015
2008	-	5,695,000	-	5,695,000	6.39%	1.48%	1,059
2007	-	5,720,000	56,813	5,776,813	7.97%	1.47%	1,078

¹ Median household income information not available for these years.

City of Litchfield Park, Arizona
Computation of Legal Debt Margin
June 30, 2016

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 2015 secondary assessed valuation, the City had \$16,440,122 borrowing capacity in the 20% category and \$4,932,037 in the 6% category.

City of Litchfield Park, Arizona
General Obligation Bond Incurrence Capacity
As of June 30, 2016

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

Secondary Assessed Valuation - 2016	\$ 82,200,611
Allowable 20% Debt	16,440,122
20% Debt Outstanding	-
Available Borrowing Capacity or Debt Margin	\$ 16,440,122

6% Limitation
All Other
General Obligation Bonds

Secondary Assessed Valuation - 2016	\$ 82,200,611
Allowable 6% Debt	4,932,037
6% Debt Outstanding	-
Available Borrowing Capacity or Debt Margin	\$ 4,932,037

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**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
20% Limitation										
Debt Limit Equal to the 20% of Assessed Valuation	\$ 18,721,103	\$ 23,734,376	\$ 22,681,497	\$ 17,823,221	\$ 13,937,020	\$ 14,059,619	\$ 12,513,334	\$ 13,039,845	\$ 15,094,070	\$ 16,440,122
Net Debt Applicable to the 20% Limit	-	-	-	-	-	-	-	-	-	-
Legal 20% Debt Margin (Available Borrowing Capacity)	<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>	<u>\$ 13,039,845</u>	<u>\$ 15,094,070</u>	<u>\$ 16,440,122</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	\$ 5,616,331	\$ 7,120,313	\$ 6,804,449	\$ 5,346,966	\$ 4,181,106	\$ 4,217,886	\$ 3,754,000	\$ 3,911,954	\$ 4,528,221	\$ 4,932,037
Net Debt Applicable to the 6% Limit	-	-	-	-	-	-	-	-	-	-
Legal 6% Debt Margin (Available Borrowing Capacity)	<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>	<u>\$ 3,911,954</u>	<u>\$ 4,528,221</u>	<u>\$ 4,932,037</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
2016	6,188	2.8%	2.0%	4,137,076	1.5%	4.6%	19,129
2015	6,019	4.5%	2.0%	4,076,438	3.3%	5.3%	18,959
2014	5,759	2.5%	2.3%	3,944,859	1.5%	6.1%	18,248
2013	5,621	1.8%	2.7%	3,884,705	0.0%	7.0%	17,359
2012	5,523	0.9%	3.0%	3,884,705	1.6%	7.8%	17,660
2011	5,476	0.0%	3.7%	3,824,058	0.2%	9.4%	15,511
2010	5,476	0.6%	3.8%	3,817,117	-0.1%	9.6%	16,623
2009	5,445	1.2%	3.6%	3,821,136	0.3%	9.3%	16,286
2008	5,380	1.4%	4.6%	3,808,829	1.5%	5.3%	15,464
2007	5,307	4.0%	2.8%	3,753,413	2.4%	3.2%	14,238

Income Figures

Median household income	\$	84,191
Per capita income	\$	41,229
Below \$10,000		3.3%
Above \$75,000		53.1%

Source: Population and Unemployment information obtained at laborstats.az.gov
 Enrollment data obtained from AZ Dept. of Education
 Income data obtained from US Census Bureau

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>
2016	\$ 28,325,921	51	\$ 137,399,090
2015	27,538,308	46	128,770,890
2014	25,398,702	37	132,031,497
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

Source: City departments and records

**City of Litchfield Park, Arizona
Employment Statistics
June 30, 2016**

Principal employers:

	2016		2015		2014		2013		2012		2011		2010	
	Number of employees	Percent of Total	Number of employees	Percent of Total	Number of employees	Percent of Total	Number of employees	Percent of Total	Number of employees	Percent of Total	Number of employees	Percent of Total	Number of employees	Percent of Total
The Wigwam Golf Resort & Spa	460	74.31%	460	74.31%	460	74.31%	460	75.04%	460	74.31%	460	73.13%	440	71.78%
City of Litchfield Park (incl. seasonal)	79	12.76%	79	12.76%	79	12.76%	73	11.91%	79	12.76%	79	12.56%	83	13.54%
Litchfield Elementary School	80	12.92%	80	12.92%	80	12.92%	80	13.05%	80	12.92%	90	14.31%	90	14.68%
Total number of employees across all employers	619		619		619		613		619		629		613	

**Authorized Positions by Function and Department
Last 10 Fiscal Years**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General government											
City Manager	2	2	2	2	2	2	2	2	2	2	2
City Clerk	5	5	5	5	4	4	4	4	4	4	4
Budget and Finance	2	3	3	3	3	3	3	2.5	2.5	2.5	2.5
Human Resources	1	1	1	1	1	1	1	1.5	1.5	1.5	1.5
Building Safety and Code Enforcement	2	3	3	3	3	3	3	2	2	2	2
Planning Services	-	1	1	1	1	1	1	1	2	2	2
Court	2	3	3	3	3	3	3	3	3	3	3
Public Works	17	17	17	17	17	17	17	20	20	20	20
Recreation and community services											
Recreation Services	52	48	60	57	49	45	45	37	42	42	42
Total	83	83	95	92	83	79	79	73	79	79	79

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, 2016

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, 2016

Date of Incorporation

August 3, 1987

Form of Government

Council\Manager

<u>Population/Demographics¹</u>		<u>Public Safety</u>	
2015 Population	6,188	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	\$ 84,191	Number of fire stations	1
Per capita income	\$ 41,229		
<u>City employees as of June 30, 2016</u>		<u>Education</u>	
Full-time	35	Litchfield Elementary School District:	
Part-time (incl. seasonal)	44	Number of elementary/middle schools	14
<u>Annexed area</u>		Number of students	11,424
Square miles	3.3	Agua Fria High School District:	
Miles of streets	23	Number of high schools	4
		Number of students	7,635
		Estrella Mountain Community College	
		Number of students	14,404

¹ Population/Demographics obtained at www.workforce.az.gov.

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