

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**WITH REPORT OF
CERTIFIED PUBLIC ACCOUNTANTS**

CITY OF LITCHFIELD PARK, ARIZONA



City Council:

Thomas L. Schoaf, Mayor
Paul Faith, Vice Mayor
Tom Rosztoczy
Ann Donahue
Peter Mahoney
Lisa Brainard Watson
John Romack

Administrative Staff:

Williams Stephens, City Manager

Prepared By:

Budget and Finance Department

Lars Johnson, Finance Director
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CITY OF LITCHFIELD PARK

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INTRODUCTORY SECTION



November 5, 2019

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

The Finance Department is pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City of Litchfield Park, Arizona for the fiscal year ended June 30, 2019. Management assumes full responsibility for the completeness and reliability of all information presented in this report, based on a broad framework of internal control that is established for this purpose. Because the cost of internal controls should not outweigh their anticipated benefits, the objective is to provide reasonable rather than absolute assurance that the financial statements are free from any material misstatements.

HintonBurdick PLLC, a firm of licensed certified public accountants, has issued an unmodified opinion on the City of Litchfield Park's financial statements for the year ended June 30, 2019. The independent auditor's report is presented as the first component of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

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 6,809. It is a small community encompassing approximately four square miles situated on the western area of metropolitan Phoenix. Although Litchfield Park is a small community, it offers an assortment of unique amenities including a vibrant historical downtown district, community parks, community library, a recreation center with a community pool and The Wigwam, a historic full service resort 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

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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 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 Finance Department. The Finance Department uses these requests as the starting point for developing a proposed budget. The City Manager then reviews the budget requests, revises if needed and presents a proposed budget to the City Council for review. The City Council is required to hold public hearings on the proposed budget and to adopt the final budget.

The appropriated budget is prepared by fund and department. Department heads may make transfers of appropriations within a department if not between funds. Transfers of appropriations between departments and funds 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 50 as part of the required supplementary information.

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 few fiscal years resulting in increased sales tax revenues, its primary revenue source. During fiscal year 2019, both residential and commercial construction activity continued strong 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 2020.

The sustained activity in the City's retail centers has helped to keep the City fiscally stable throughout the last several fiscal years and increase its ability to provide services to City residents. In the last years, a significant amount of 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 continues its work at bringing in fiscally viable developments that will enhance the amenities enjoyed by its citizens and the greater community. The City is optimistic that this modest development growth trend will continue into the near future helping the City meet 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 continue the positive growth trend into the future. Without a property tax to fund City projects, operations, and services, maintaining the existing revenue streams is critically important to continue providing the highest level of services to the community and its citizens. As the City reaches buildout within City limits and new development ceases, the City is keenly aware that operations cannot be funded by the one-time revenue of construction sales tax. In fiscal year 2020 and beyond, estimates for construction sales tax revenue will be considered only to fund one-time capital projects.

The City has developed a five year financial forecast with a corresponding five year capital plan. As the City prefers to use pay-as-you-go (accumulated fund balance and current year revenue over operations) financing for capital, the five year forecast was used to balance the plan for capital improvement projects. According to the financial forecast, the City has sufficient resources to meet the service levels over the forecast period and fund the necessary capital projects.

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

- **Fiscal conservatism:** A conservative approach toward forecasting revenues, expenditures and debt, ensuring the City is in a fiscally positive condition. Current revenues will be sufficient to support current operating expenditures. One time revenues are not used for ongoing maintenance & operations.
- **Adherence to the highest accounting and management practices:** Comply with the Government Finance Officer's Association (GFOA) standards for ethics, 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 (LGIP). The adopted Investment Policy allows the Director of Finance and City Manager to invest temporarily idle cash in the LGIP, certificate of deposits, and other investments 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 manages pooled collateral for all cash on deposit in banks on behalf of the City in excess of the FDIC maximum.

- **Risk management.** The City is responsible for the protection of the City's assets. Through regular Staff meetings and 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.
- **Adequate reserves:** Ensuring adequate reserves so the City is in a position to respond to changes in the economy or new service challenges without undue financial stress. At the end of Fiscal Year 2019, the City maintained well in excess of the targeted six months of operating expenditures in reserves.

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, 2019. This was the 18th consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This 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 preparation of this document was a collaborative undertaking of the Finance Department. Each member has our appreciation for the assistance provided in the preparation of this document. In closing, we acknowledge the City Council and the City Manager for their continued support and direction.

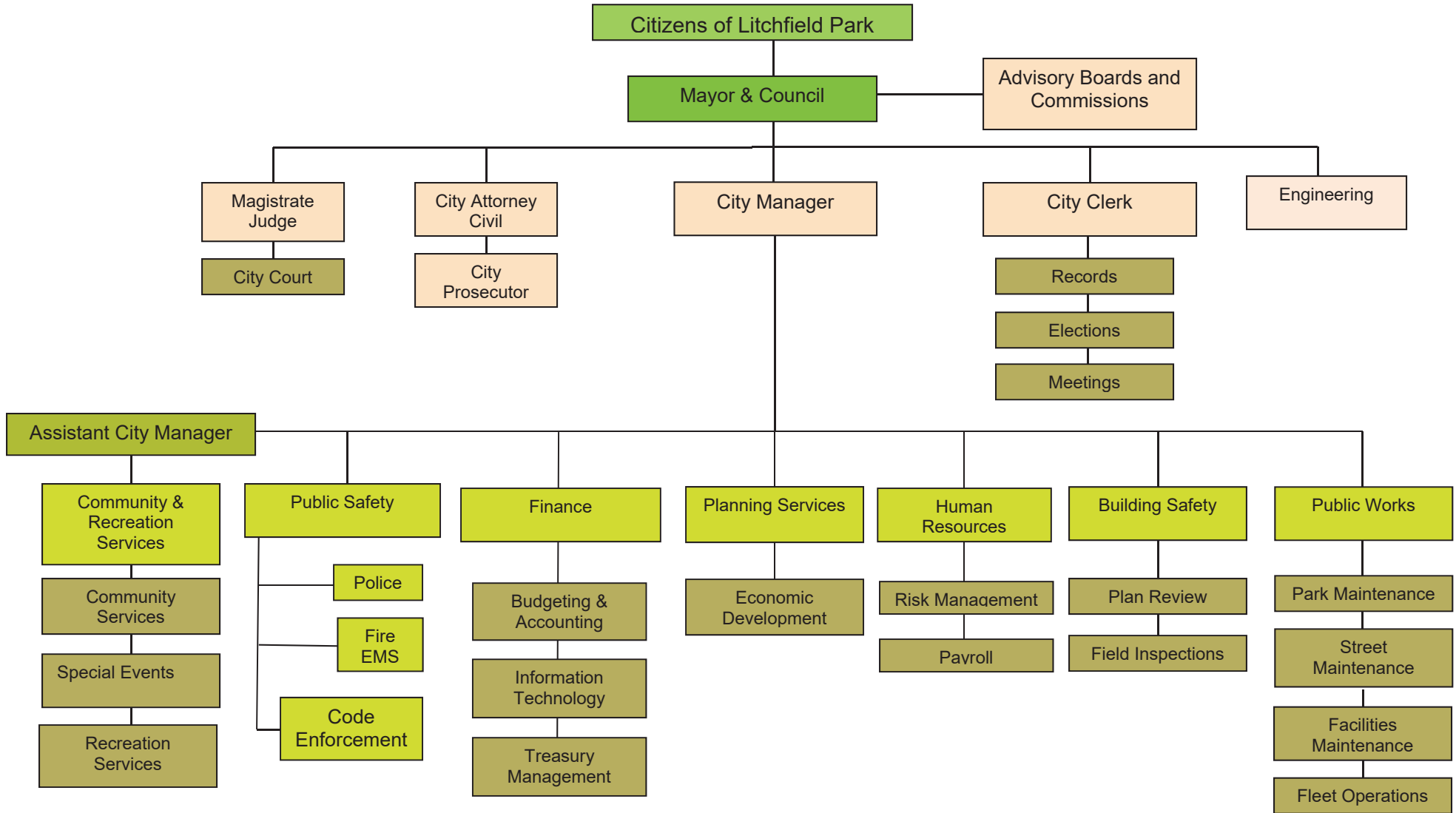
Respectfully submitted,



Lars Johnson
Director of Finance

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City of Litchfield Park Organization Chart



Elected
Appointed
Employee
Department
Functions

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

City Council/Community Facilities District Board

Thomas Schoaf, Mayor
Paul Faith, Vice Mayor
Tom Rosztoczy
Ann Donahue
Peter Mahoney
Lisa Brainard Watson
John Romack

Design Review Board/Board of Adjustment/Board of Appeals

Susan Charnetsky, Chair DRB and Vice Chair BOA
David Ledyard, Chair BOA and Vice Chair DRB
Rachel Dudley
Brian O'Connor
John Romack, City Council Representative

Industrial Development Authority Board

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

Planning & Zoning Commission

David Ledyard, Chair
Frank Ross, Vice Chair
Michael Faith
Vickilyn Alvey
Debra Lawrence
Brian O'Connor
Michael McCarthy

Recreation and Public Grounds Commission

JoAnn Dun, Chair
Andi Phillips, Vice Chair
Adam Schwartz
Susan Fix
Ron Clair
David Schwake
Anthony Taddei



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

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**City of Litchfield Park
Arizona**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morill

Executive Director/CEO

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FINANCIAL SECTION



Independent Auditors' Report

The Honorable Mayor and
City Council
Litchfield Park, Arizona

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Litchfield Park, Arizona, as of and for the fiscal year ended June 30, 2019, 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.

Auditors' 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 auditors' 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 auditors consider 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, each major fund, and the aggregate remaining fund information of the City of Litchfield Park, Arizona, as of June 30, 2019, and the respective changes in financial position 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 the management's discussion and analysis, the pension and OPEB schedules, and budgetary comparison information as listed in the table of contents 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 of Litchfield Park, Arizona's basic financial statements. The introductory section, budgetary comparison for the capital projects fund, combining and individual non-major fund financial statements and budgetary comparisons, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison for the capital improvement fund, debt service fund, and the combining and individual non-major fund financial statements and budgetary comparisons 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 non-major fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2019, on our consideration of the City of Litchfield Park, Arizona'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 of Litchfield Park, Arizona's internal control over financial reporting and compliance.



HintonBurdick, PLLC
Gilbert, Arizona
November 5, 2019

City of Litchfield Park, Arizona
Management's Discussion and Analysis
June 30, 2019

This discussion and analysis presents the highlights of financial activities and financial position for the City of Litchfield Park's (the "City") fiscal year ended June 30, 2019. The analysis focuses on current year significant financial issues, debt administration, capital assets, major financial activities resulting in changes in financial position, budget changes and variances from the budget, and economic factors affecting the City.

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 \$28,024,017 (*net position*). Of this amount, \$9,692,961 (*unrestricted net position*) may be used to meet the City's obligations to citizens and creditors.
- The City's total net position increased 17% by \$4,021,590.
- Government Activities expenses of \$8,289,748 exceed program revenues of \$2,485,621, a difference of \$5,804,127. The remaining \$5,804,127 of expense represents the total each separate function utilizes general revenues.
- As of the close of the current fiscal year, the City of Litchfield Park's governmental funds reported combined ending fund balances of \$9,941,523 an increase of \$2,760,930 in comparison with the prior year. \$8,909,776 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 \$8,915,705 or 130 percent of total general fund expenditures.

The City of Litchfield Park's long-term liabilities decreased by \$769,101 (7.8 percent) during the current fiscal year resulting primarily from the payment of bond principal for the Series 2015 Revenue Bonds and the Village at Litchfield Park Community Facilities District. Additional information on the City's long-term liabilities can be found in Note 7 on page 33 of this report.

Overview of the Financial Statements

The annual financial report consists of several sections. When taken as a whole, they provide detailed financial information for the City.

- **Management Discussion and Analysis:** This section of the report provides financial highlights, overview and economic factors impacting the City.

- **Basic Financial Statements:** Contains three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.
 - **Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the City’s finances, in a manner similar to a private sector business. The 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 *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).
 - *Fund financial statements* present separately the major governmental fund and proprietary funds. Governmental fund statements follow the more traditional presentation of financial statements. The city’s major governmental funds are reported in a separate column and the remaining funds are combined into a column titled “Other Governmental Funds”. Budgetary comparison statements are presented as well.
 - *Notes to the financial statements* provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.
- **Other Supplementary Information:** Users seeking additional information on non-major funds can find it in the Combining Statements of Non-major Funds and/or Supplementary Information-Budgetary Comparison sections of the report. Components within this section include:
 - *Combining Statements* present non-major funds, those not included in the Basic Financial Statements.
 - *Budgetary Comparisons* for all governmental funds, except those presented within the Basic Financial Statements.
 - *Other Financial Schedules* complete the Financial Section of the 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 \$28,024,017 at the close of the most recent fiscal year. The change in net position was \$3,557,526 in 2018 and \$4,021,590 in 2019.

The largest portion of the City's net position (62 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.

The second largest portion of net position (35 percent) is unrestricted net position, which reflects resources needed to repay debt for capital assets and provide future services to citizens.

During 2019, City management determined it was more appropriate to account for the recreation services, community services and special events as governmental activities. These activities have not been financed primarily by revenues generated by the activities themselves, a key attribute of business-type activities. To illustrate, the three year average for total cost recovery in these areas is 56%, which means 56 cents of every dollar spent was recovered through direct charges, and 44 cents subsidized from the general fund. As the previously reported business-type activities have been combined with governmental activities in 2019, the combined total will be discussed for a better comparison.

The following table summarizes the statement of net position at June 30, 2019 and 2018:

	Governmental activities		Business-type activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 11,757,704	\$ 8,718,923	\$ -	\$ 442,401	\$ 11,757,704	\$ 9,161,324
Capital assets	26,610,390	25,882,743	-	220,753	26,610,390	26,103,496
Total assets	38,368,094	34,601,666	-	663,154	38,368,094	35,264,820
Deferred outflows of resources	468,625	360,968	-	71,978	468,625	432,946
Long-term liabilities outstanding	9,114,871	9,316,224	-	567,748	9,114,871	9,883,972
Other liabilities	1,268,464	1,347,475	-	108,260	1,268,464	1,455,735
Total liabilities	10,383,335	10,663,699	-	676,008	10,383,335	11,339,707
Deferred inflows of resources	429,367	296,508	-	59,124	429,367	355,632
Net Position:						
Net investment in capital assets	17,495,521	19,367,743	-	220,753	17,495,521	19,588,496
Restricted for:						
Public works	734,652	1,015,556	-	-	734,652	1,015,556
Capital improvements	100,883	1,492,729	-	-	100,883	1,492,729
Unrestricted (deficit)	9,692,961	2,126,399	-	(220,753)	9,692,961	1,905,646
Total net position	\$ 28,024,017	\$ 24,002,427	\$ -	\$ -	\$ 28,024,017	\$ 24,002,427

At the end of the current fiscal year, the City is reporting a positive balance in unrestricted net position of \$9,692,961, a significant increase from the previous year.

Governmental activities. Governmental activities increased the City's net position by \$4,021,590. Key elements of this increase are summarized in the following schedule:

City of Litchfield Park's Changes in Net Position

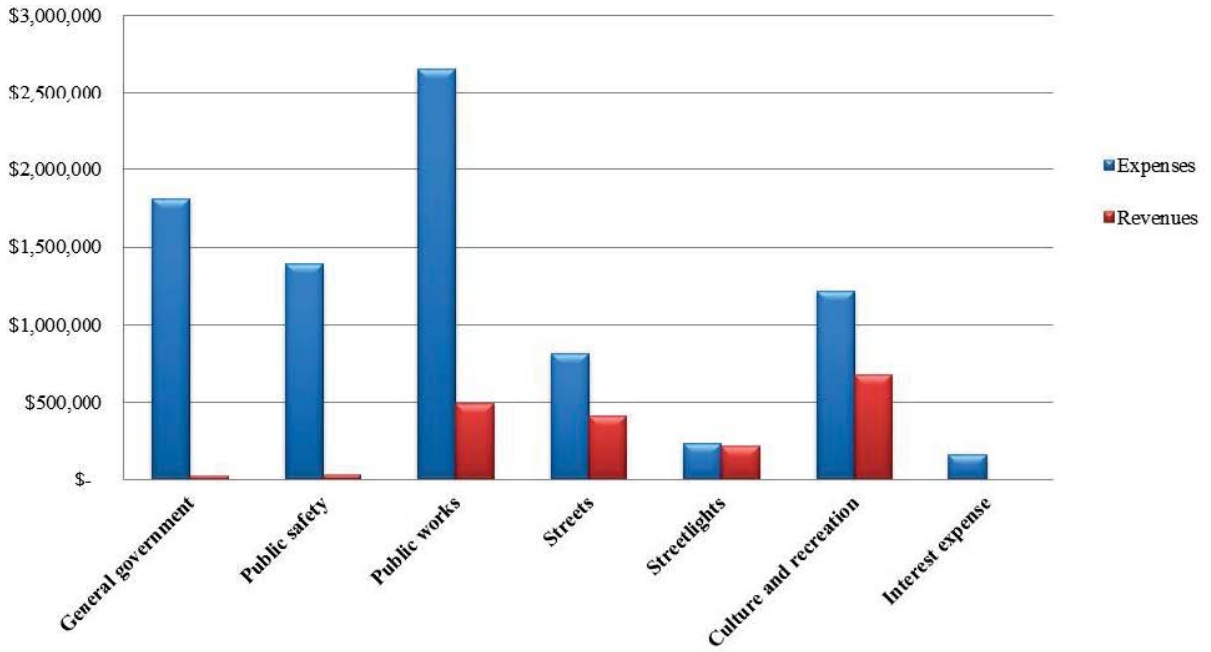
	Governmental activities		Business-type activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 1,447,978	\$ 893,720	\$ -	\$ 600,867	\$ 1,447,978	\$ 1,494,587
Operating grants and contributions	\$ 411,041				411,041	-
Capital grants and contributions	626,602	430,106	-	-	626,602	430,106
General revenues:						
Taxes	8,107,791	7,787,902	-	-	8,107,791	7,787,902
Intergovernmental	1,593,906	1,509,820	-	-	1,593,906	1,509,820
Other	124,020	586,622	-	-	124,020	586,622
Total revenues	<u>12,311,338</u>	<u>11,208,170</u>	<u>-</u>	<u>600,867</u>	<u>12,311,338</u>	<u>11,809,037</u>
Expenses:						
General government	1,811,098	1,536,567	-	-	1,811,098	1,536,567
Public safety	1,388,260	1,482,425	-	-	1,388,260	1,482,425
Public works	2,657,676	2,683,012	-	-	2,657,676	2,683,012
Streets	814,010	972,553	-	-	814,010	972,553
Streetlights	237,146	238,865	-	-	237,146	238,865
Culture and recreation	1,217,496	-	-	1,159,302	1,217,496	1,159,302
Interest on long-term debt	164,062	178,787	-	-	164,062	178,787
Total expenses	<u>8,289,748</u>	<u>7,092,209</u>	<u>-</u>	<u>1,159,302</u>	<u>8,289,748</u>	<u>8,251,511</u>
Change in net position before transfers	4,021,590	4,115,961	-	(558,435)	4,021,590	3,557,526
Transfers	-	(558,435)	-	558,435	-	-
Change in net position	<u>4,021,590</u>	<u>3,557,526</u>	<u>-</u>	<u>-</u>	<u>4,021,590</u>	<u>3,557,526</u>
Net position - beginning	24,002,427	20,444,901	-	-	24,002,427	20,444,901
Net position - ending	<u>\$ 28,024,017</u>	<u>\$ 24,002,427</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,024,017</u>	<u>\$ 24,002,427</u>

As reported above, overall revenues increased by \$502,301. The increase is primarily the result of an increase in tax revenues of \$319,889, intergovernmental of \$84,086 and \$626,602 of capital grants and contributions. These increases were offset by a decrease in other revenue of \$462,602 and charges for services of \$46,609. The increase in tax revenues resulted primarily from an increase in City Sales, Use and Bed taxes from existing businesses benefitting from a robust economy as well as growth in housing in the area. The capital grants and contributions increase is a fair market value donation by the Diamondbacks Foundation for a little league baseball field. The other revenue decrease was a result of a one-time accounting estimate change in 2018 which recognized a previously held health insurance liability as revenue.

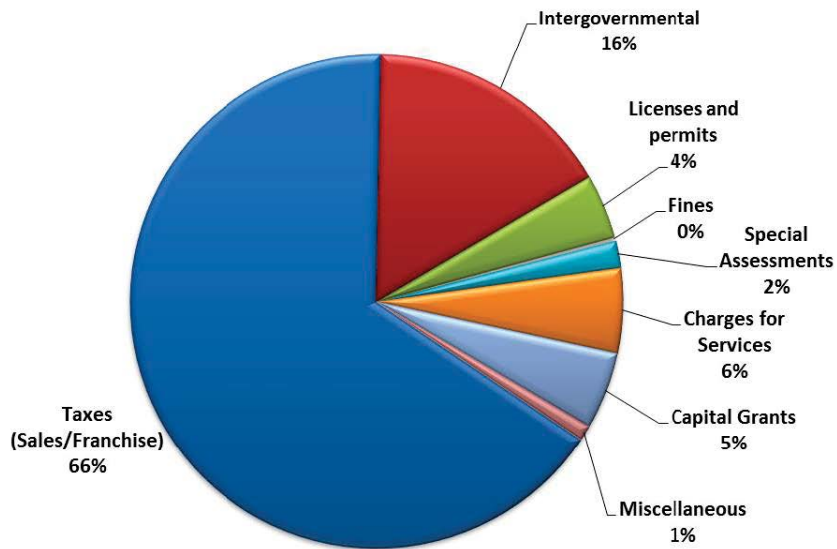
City-wide expenses remained relatively stable by a 0.5% increase of \$38,237, which was mainly the result of increases in personnel costs.

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

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities



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.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$9,941,523 an increase of \$2,760,930 in comparison with the prior year. Of this balance, unassigned fund balance totaled \$8,909,776, which is available for spending at the City's discretion. When fund balance is nonspendable, restricted 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 \$8,915,705. 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 130 percent of total general fund expenditures, which indicates that the City has sufficient resources to meet ongoing obligations. During the current fiscal year, the fund balance of the City's general fund increased by \$4,432,038. The key factor of this change is a significant increase in Taxes due to a new commercial development in FY17 known as Litchfield Marketplace, increased economic activity at local businesses as a result of new residential developments in the area, and a transfer from the capital fund as a result of the final Series 2015 capital bond reimbursement. The transfer out of the general fund decreased in fiscal year 2019 compared to fiscal year 2018, as a result of combining activities requiring general fund subsidies into the general fund.

The debt service fund has a total fund balance of \$0. Additional information on the City's long-term liabilities can be found in Note 7 the notes to the financial statement section.

The capital improvement fund incurred \$646,792 in expenditures for various street related infrastructure projects. Also, during the year the final reimbursement was received for capital expenditures financed by the Series 2015 revenue bond. This was reported as \$1,552,470 of cash held by fiscal agent in 2018. A portion of this cash paid for current year capital improvements, and the remaining year end fund balance was transferred to the general fund totaling \$855,356.

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

Management's Discussion and Analysis - Continued

General Fund Budgetary Highlights

Taxes revenues were greater than budget by \$1,008,526. The variance is primarily the result of greater than anticipated impact of a new commercial development resulting in increased City sales, use and bed tax revenues.

Licenses and permits revenues were greater than budget by \$141,584. The variance is primarily the result of greater than anticipated building activity and revenues for building permits.

Fines were less than budget by \$13,434. The current year had fewer local citations than previous years.

Miscellaneous revenues were less than budget by \$952,596. The City budgeted \$1,000,000 as a grant and capital contribution contingency which did not occur.

The City contracts for services in the Engineering and City Attorney areas and as a result budget conservatively as to provide sufficient capacity to utilize the services as needed.

Finance and human resources expenditures were less than budget by \$114,220 as a result of personnel turnover and vacancies.

Public works maintenance expenditures were less than budget by \$168,074. 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 \$195,136. The variance is primarily the result of a City Center planning budget not utilized in the current year.

Operations contingency expenditures were budgeted in the amount of \$1,747,200, and \$190,000 was used by Council action related to personnel cost adjustments during the year.

General fund expenditures were less than the final approved budget and revenues exceeded estimates, creating a favorable variance and boosting fund balance reserves.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets as of June 30, 2019, amounts to \$26,610,390 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, construction in progress, infrastructure, buildings and improvements, furniture, equipment, and vehicles. The net increase in the City's investment in capital assets for the current fiscal year was 1.9%

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

- Street Repair and Replacement and right away acquisitions for \$408,818.
- Pathway improvements of \$96,641.
- New little league park area improvements such as restrooms, landscaping, and parking of \$224,616, to complement the donated little league park valued at \$626,602.
- Recreation Center pool resurfacing of \$118,741.
- Purchased public works maintenance equipment for \$54,355.

Management's Discussion and Analysis - Continued

	City of Litchfield Park's Capital Assets (net of depreciation)					
	Governmental activities		Business-type activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 8,178,183	\$ 8,066,862	\$ -	\$ 31,000	\$ 8,178,183	\$ 8,097,862
Land Improvements	2,619,725	958,783	-	-	2,619,725	958,783
Construction in progress	-	127,969	-	-	-	127,969
Buildings and Improvements	441,162	201,178	-	146,007	441,162	347,185
Infrastructure	14,800,759	15,993,522	-	-	14,800,759	15,993,522
Furniture, equipment, and vehicles	570,561	534,429	-	43,746	570,561	578,175
Total	\$ 26,610,390	\$ 25,882,743	\$ -	\$ 220,753	\$ 26,610,390	\$ 26,103,496

Additional information on the City's capital assets can be found in Note 6 in the notes to the financial statements section this report.

Long-term liabilities. The total year-end bonded debt outstanding was \$5,990,000 as of June 30, 2019, a decrease of \$525,000 in comparison to the prior year's balance as a result of scheduled principle payments.

As of June 30, 2019, the bonded debt is comprised of \$2,600,000 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. The remaining amount of \$3,390,000 is comprised of revenue bonds and retired through transfers from the general fund. There were no other significant changes in long-term liabilities during the year.

As of June 30, 2019, the net pension liability was \$2,945,353, a decrease of \$264,603 from the prior year.

Additional information on the City's long-term liabilities can be found in Note 7 and 8 in the notes to the financial statements section of this report.

Economic Factors and Next Year's Budgets

The City remains on solid financial ground and its long term financial plan contains a conservative revenue growth forecast. Economic activity continues to increase with a recent growth in residential developments both in and outside the City limits. As mentioned previously in this analysis, new commercial development helped significantly bolster the City's local tax revenues, allowing the City to fund operations without construction sales tax for fiscal year 2019. This has been a strategic goal as the City is reaching buildout and beginning with fiscal year 2020 will no longer consider construction sales tax revenue as an ongoing revenue source. Below are some additional highlights from next year's budgets and current economic factors:

- Sales taxes from retail and commercial zones continue to be the primary source of revenue for the City. The projected increase in local sales tax revenue is 5% in fiscal year 2020. The other major revenue source is intergovernmental revenue or state shared revenue and this is expected to increase by 11% in the next fiscal year.

Management's Discussion and Analysis - Continued

- The City continues to have no general property tax to support its operations. The City administers four special assessment districts within the City including three street light improvement districts and a community facilities district. The assessments from these districts are used to support the costs of each individual district.
- The City has maintained the significant residential construction, with 58 new housing units, particularly within the Village at Litchfield Park and Sunset Terrace subdivisions. These two residential developments are projected to be completed within the next two fiscal years. Another potential residential development is on the horizon with Sun Health Communities' recent rezoning application and general plan amendment and that would allow for a significant single and multifamily development in conjunction with their continuum of care.
- A commercial development has vertical construction occurring on the Camelback & Dysart intersection and will contain some new sales tax generating businesses. In addition, the prerequisites to beginning development at the City Center, such as zoning ordinance and design guidelines, are expected to be completed by end of calendar year 2019 which will facilitate the development of the City owned property.
- The accumulated cash reserves are expected to be maintained as a stabilization factor in the event of revenue shortfalls and to meet its capital project needs.
- The fiscal year 2020 budget totals \$19,026,365, a 6% increase from fiscal year 2019 budget. The operating budget component is \$8,814,365, a 7% increase from fiscal year 2019 budget. The remaining amount includes a \$4,499,000 capital budget and \$3,000,000 contingency budget for city center and \$2,713,000 budgeted stabilization reserve.

Financial Contact

This financial report is designed to provide a general overview of the City's finances and to demonstrate the City's accountability. To ask questions, share observations, or provide suggestions about the report, contact:

City of Litchfield Park
Director of Finance
214 W. Wigwam Boulevard
Litchfield Park, AZ 85340

Phone: 623-935-5033

Website: www.litchfield-park.org

BASIC FINANCIAL STATEMENTS

CITY OF LITCHFIELD PARK, ARIZONA
Statement of Net Position
June 30, 2019

	Governmental Activities	Total
Assets		
Cash and cash equivalents	\$ 10,240,952	\$ 10,240,952
Accounts receivables, net	69,420	69,420
Due from other governments	1,147,875	1,147,875
Prepaid items	3,008	3,008
Net OPEB asset	7,717	7,717
Temporarily restricted assets:		
Cash and cash equivalents	288,732	288,732
Capital assets (net of accumulated depreciation):		
Land	8,178,183	8,178,183
Land improvements	2,619,725	2,619,725
Buildings and improvements	441,162	441,162
Infrastructure	14,800,759	14,800,759
Furniture, equipment and vehicles	570,561	570,561
Total assets	<u>38,368,094</u>	<u>38,368,094</u>
Deferred outflows of resources		
Deferred outflows related to pensions/OPEB	468,625	468,625
Total deferred outflows of resources	<u>468,625</u>	<u>468,625</u>
Liabilities		
Accounts payable	626,564	626,564
Accrued payroll and related liabilities	176,278	176,278
Interest payable	81,432	81,432
Other liabilities	321,074	321,074
Due to other governments	63,118	63,118
Noncurrent liabilities:		
Due within one year	694,000	694,000
Due in more than one year	8,420,869	8,420,869
Total liabilities	<u>10,383,335</u>	<u>10,383,335</u>
Deferred inflows of resources		
Deferred inflows related to pensions/OPEB	429,367	429,367
Total deferred inflows of resources	<u>429,367</u>	<u>429,367</u>
Net position		
Net investment in capital assets	17,495,521	17,495,521
Restricted for:		
Public works	734,652	734,652
Capital improvements	100,883	100,883
Unrestricted	9,692,961	9,692,961
Total net position	<u>\$ 28,024,017</u>	<u>\$ 28,024,017</u>

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

CITY OF LITCHFIELD PARK, ARIZONA
Statement of Activities
For the Fiscal Year Ended June 30, 2019

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants & Contributions</u>	<u>Capital Grants & Contributions</u>	
Governmental activities:					
General government	\$ 1,811,098	\$ 26,020	\$ -	\$ -	\$ (1,785,078)
Public safety	1,388,260	32,639	-	-	(1,355,621)
Public works	2,657,676	493,564	-	-	(2,164,112)
Streets	814,010	-	411,041	-	(402,969)
Streetlights	237,146	216,419	-	-	(20,727)
Culture and recreation	1,217,496	679,336	-	626,602	88,442
Interest on long-term debt	164,062	-	-	-	(164,062)
Total governmental activities	<u>8,289,748</u>	<u>1,447,978</u>	<u>411,041</u>	<u>626,602</u>	<u>(5,804,127)</u>
General revenues:					
Taxes:					
					7,698,066
					85,363
					324,362
					1,593,906
					57,426
					164,280
					(97,686)
					<u>9,825,717</u>
					4,021,590
					<u>24,002,427</u>
					<u>\$ 28,024,017</u>

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

CITY OF LITCHFIELD PARK, ARIZONA
Balance Sheet
Governmental Funds
June 30, 2019

	<u>General</u>	<u>Highway User Revenue Fund</u>	<u>Capital Improvement</u>	<u>Debt Service</u>	<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
Assets						
Cash and cash equivalents	\$ 8,455,849	\$ 894,618	\$ 268,124	\$ 329,933	\$ 292,428	\$ 10,240,952
Accounts receivable	64,346	-	-	2,767	2,307	69,420
Due from other governments	1,109,939	37,936	-	-	-	1,147,875
Due from other funds	6,577	-	-	-	-	6,577
Prepaid items	3,008	-	-	-	-	3,008
Restricted cash	-	-	-	288,732	-	288,732
Total assets	<u>\$ 9,639,719</u>	<u>\$ 932,554</u>	<u>\$ 268,124</u>	<u>\$ 621,432</u>	<u>\$ 294,735</u>	<u>\$ 11,756,564</u>
Liabilities						
Accounts payable	\$ 160,536	\$ 197,902	\$ 268,124	\$ -	\$ -	\$ 626,562
Accrued wages and benefits	176,278	-	-	-	-	176,278
Due to other governments	63,118	-	-	-	-	63,118
Current bonds payable	-	-	-	540,000	-	540,000
Interest payable	-	-	-	81,432	-	81,432
Other liabilities	321,074	-	-	-	-	321,074
Due to other funds	-	-	-	-	6,577	6,577
Total liabilities	<u>721,006</u>	<u>197,902</u>	<u>268,124</u>	<u>621,432</u>	<u>6,577</u>	<u>1,815,041</u>
Fund balances						
Nonspendable	3,008	-	-	-	-	3,008
Restricted for:						
Highways and streets		734,652	-	-	-	734,652
Special Assessments		-	-	-	100,883	100,883
Committed	-	-	-	-	193,204	193,204
Unassigned	8,915,705	-	-	-	(5,929)	8,909,776
Total fund balances	<u>8,918,713</u>	<u>734,652</u>	<u>-</u>	<u>-</u>	<u>288,158</u>	<u>9,941,523</u>
Total liabilities and fund balances	<u>\$ 9,639,719</u>	<u>\$ 932,554</u>	<u>\$ 268,124</u>	<u>\$ 621,432</u>	<u>\$ 294,735</u>	<u>\$ 11,756,564</u>

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

CITY OF LITCHFIELD PARK, ARIZONA
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2019

Total fund balances governmental funds \$ 9,941,523

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:

Governmental capital assets	41,632,356	
Accumulated depreciation	(15,021,966)	
		26,610,390

Net OPEB asset is not an available resource and, therefore is not reported in the funds.		7,717
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Net pension assets held in trust for future benefits are not available for City operations and, therefore, are not reported in the funds.		468,625
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Long-term liabilities, such as net pension/OPEB liabilities and bonds payable, are not due and payable in the current period and, therefore, are not reported as a liability in the funds.

Bonds payable	(5,450,000)	
Compensated absences	(179,518)	
Net pension/OPEB liability	(2,945,353)	
	(8,574,871)	(8,574,871)

Deferred inflows of resources related to pensions/OPEB are applicable to future reporting periods and, therefore, are not reported in the funds.

(429,367)

Net position of governmental activities	\$ 28,024,017
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The accompanying notes are an integral part of the financial statements.

CITY OF LITCHFIELD PARK, ARIZONA
Statement of Revenues, Expenditures, and Changes in
Fund Balances - Governmental Funds
For the Fiscal Year Ended June 30, 2019

	General	Highway User Revenue Fund	Capital Improvement	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Revenues						
Taxes	\$ 7,783,429	\$ -	\$ -	\$ 324,362	\$ -	\$ 8,107,791
Special assessments	-	-	-	-	216,419	216,419
Licenses and permits	519,584	-	-	-	-	519,584
Intergovernmental	1,593,906	411,041	-	-	-	2,004,947
Charges for services	679,336	-	-	-	-	679,336
Fines	28,566	-	-	-	4,073	32,639
Investment earnings	40,361	1,378	9,418	908	5,361	57,426
Miscellaneous	145,338	-	-	-	-	145,338
Total revenues	<u>10,790,520</u>	<u>412,419</u>	<u>9,418</u>	<u>325,270</u>	<u>225,853</u>	<u>11,763,480</u>
Expenditures						
Current:						
General government	1,736,432	-	-	-	-	1,736,432
Public works	2,494,468	-	-	-	-	2,494,468
Culture and recreation	1,226,660	-	-	-	-	1,226,660
Public safety	1,391,710	-	-	-	-	1,391,710
Streets	-	565,914	-	-	-	565,914
Streetlights	-	-	-	-	236,512	236,512
Capital outlay	-	-	646,792	-	-	646,792
Debt service:						
Principal	-	-	-	540,000	-	540,000
Interest	-	-	-	164,062	-	164,062
Total expenditures	<u>6,849,270</u>	<u>565,914</u>	<u>646,792</u>	<u>704,062</u>	<u>236,512</u>	<u>9,002,550</u>
Excess of revenues over expenditures	<u>3,941,250</u>	<u>(153,495)</u>	<u>(637,374)</u>	<u>(378,792)</u>	<u>(10,659)</u>	<u>2,760,930</u>
Other financing sources (uses)						
Transfers in	869,580	-	-	378,792	-	1,248,372
Transfers out	<u>(378,792)</u>	<u>-</u>	<u>(855,356)</u>	<u>-</u>	<u>(14,224)</u>	<u>(1,248,372)</u>
Total other financing sources (uses)	<u>490,788</u>	<u>-</u>	<u>(855,356)</u>	<u>378,792</u>	<u>(14,224)</u>	<u>-</u>
Net change in fund balances	4,432,038	(153,495)	(1,492,730)	-	(24,883)	2,760,930
Fund balances, beginning of year - as restated	4,486,675	888,147	1,492,730	-	313,041	7,180,593
Fund balances, end of year	<u>\$ 8,918,713</u>	<u>\$ 734,652</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 288,158</u>	<u>\$ 9,941,523</u>

The accompanying notes are an integral part of the 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
For the Fiscal Year Ended June 30, 2019

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

Net change in fund balances - total governmental funds		\$ 2,760,930
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the difference between depreciation expense and capital outlay in the current period.</p>		
Capital outlay	1,110,601	
Depreciation expense	<u>(1,060,055)</u>	50,546
<p>Governmental funds do not report donations of capital assets to the City as revenues. However, in the statement of activities, the donation of capital assets is reported as a revenue.</p>		
		554,037
<p>Governmental funds report the gross proceeds from the sale of capital assets as revenue. However, in the statement of activities, the gain on the sale of capital assets is reported net of its net book value.</p>		
		(97,686)
<p>Principal of long-term debt consumes and provides current financial resources of governmental funds, however, this does not have any effect on net position.</p>		
Principal maturation of bonds payable	<u>540,000</u>	540,000
<p>Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>		
		(20,502)
<p>Pension/OPEB 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 net pension/OPEB liability is measured a year before the Town's report date. Pension/OPEB expense, which is the change in the net pension/OPEB liability adjusted for changes in deferred outflows and inflows of resources related to pensions/OPEB, is reported in the Statement of Activities.</p>		
Pension/OPEB contributions	468,625	
Pension/OPEB expense	<u>(234,360)</u>	234,265
Change in net position of governmental activities		<u><u>\$ 4,021,590</u></u>

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

CITY OF LITCHFIELD PARK, ARIZONA
Notes to the Financial Statements
June 30, 2019

Note 1. Summary of Significant Accounting Policies

Description of government-wide financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information of the primary government and its component units. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, when applicable, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

Reporting entity

The City of Litchfield Park, Arizona (the City) was incorporated on August 3, 1987. The City is a municipal corporation governed by a council-manager form of government. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City. There are no discretely presented component units and one blended component unit.

Blended 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 7. 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

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 the component unit are not prepared.

CITY OF LITCHFIELD PARK, ARIZONA
Notes to the Financial Statements
June 30, 2019

Note 1. Summary of Significant Accounting Policies, Continued

Basis of presentation – government-wide financial statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Basis of presentation – fund financial statements

The fund financial statements provide information about the City's funds, including its blended component unit. Separate statements for each fund category—governmental, proprietary, and fiduciary—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements. The City does not have any enterprise or fiduciary funds.

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 accounted for in another fund.

The **Highway Users Revenue Fund** is used to account for the City's share of motor fuel tax revenues and lottery proceeds which are restricted for the maintaining, repairing, and upgrading of streets.

The **Debt Service Fund** 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 asset purchases and capital projects.

During the course of operations the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

CITY OF LITCHFIELD PARK, ARIZONA
Notes to the Financial Statements
June 30, 2019

Note 1. Summary of Significant Accounting Policies, Continued

Measurement focus and basis of accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

The 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 City 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Taxes, sales taxes, state shared revenues, licenses, 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. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the City.

CITY OF LITCHFIELD PARK, ARIZONA
Notes to the Financial Statements
June 30, 2019

Note 1. Summary of Significant Accounting Policies, Continued

Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance

Deposits and investments

Cash includes cash on hand, demand deposits with banks and other financial institutions, deposits in other types of accounts or cash management pools that have the general characteristics of demand deposit accounts and short-term investments with original maturities of three months or less from the date of acquisition. The City's policy allows for the investment of funds in time certificates of deposit with federally insured depositories, investment in the state treasurer's pool, obligations of the U.S. Government and other investments as allowed by Arizona State Statutes. All investments are carried at fair value with unrealized gains and losses recorded as adjustments to interest earnings. Fair market values are based on quoted market prices. The fair value of each share in the Local Government Investment pool is equal to \$1.

Prepaid items

Certain payments to vendors reflect cost applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Inventories

The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed.

Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental type activity columns in the government-wide financial statements. Capital assets are defined by the City as assets with an individual cost of more than \$5,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition 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.

Land and construction in progress are not depreciated. The other property, plant and equipment is depreciated using the straight-line method over the following estimated useful lives:

Building and improvements	5 to 30 years
Furniture, machinery and equipment	3 to 10 years
Infrastructure	20 to 30 years
Land improvements	20 to 30 years
Vehicles	5 years

CITY OF LITCHFIELD PARK, ARIZONA
Notes to the Financial Statements
June 30, 2019

Note 1. Summary of Significant Accounting Policies, Continued

Unearned revenue

Unearned revenues arise when potential revenue is received by the City from various granting agencies before it has a legal claim to them or when grant monies are received prior to the incurrence of qualifying expenditures, i.e., contract and grant receipts received in excess of expenditures incurred are recognized as unearned revenue. In subsequent periods, when the revenue recognition criteria is met, or when the City has a legal claim to the resources, the liability or unearned revenue is removed from the balance sheet and the revenue is recognized.

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The City has one type of item that qualifies for reporting in this category. It is pension/OPEB related items reported on the government-wide financial statements. See foot Note 8 for more information.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has one type of item that qualifies for reporting in this category. It is pension/OPEB related items reported on the government-wide financial statements. See foot Note 8 for more information.

Pensions and other postemployment benefits

For purposes of measuring the net pension and other postemployment benefits (OPEB) assets and liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the plans' fiduciary net position additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net position flow assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

CITY OF LITCHFIELD PARK, ARIZONA
Notes to the Financial Statements
June 30, 2019

Note 1. Summary of Significant Accounting Policies, Continued

Fund balance flow assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund balance policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Manager is authorized to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Revenues and expenditures/expenses

Program revenues

Amounts reported as 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 (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

CITY OF LITCHFIELD PARK, ARIZONA
Notes to the Financial Statements
June 30, 2019

Note 1. Summary of Significant Accounting Policies, Continued

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 that have completed not less than 10 years of full time service or attained the age of 55 years shall be entitled to receive cash payment equal to the average base salary over the five (5) years preceding retirement or death multiplied by one half of the number of sick leave hours accumulated. The maximum accrual is 400 hours of sick leave pay.

Tax Abatements

The City has not entered into any tax abatement agreements and the City is not aware of any tax abatement agreements that have been entered into by other governments that would reduce the City's tax revenues.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Change in Fund Reporting

In previous years, the City reported three separate proprietary funds – Recreation Services, Community Services, and Special Events. From the time these Funds were established, the majority of their funding came from transfers from the General Fund. GASB states that Proprietary funds should be utilized to report on activities financed primarily by revenues generated by the activities themselves. Therefore, since these funds were primarily financed through transfers from the General Fund and not revenues generated by themselves; management of the City determined it was more appropriate to account for these activities within the City's General Fund. See also Note 11.

CITY OF LITCHFIELD PARK, ARIZONA
Notes to the Financial Statements
June 30, 2019

Note 2. Reconciliation of Government-Wide and Fund Financial Statements

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net position of governmental activities as reported in the government-wide statement of net position. This difference primarily results from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheets. The details of these differences are reported in the reconciliation on page 17.

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between net changes in fund balances-total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. These differences are the result of converting from the current resources measurement focus and modified accrual basis for governmental fund statements to the economic resources measurement focus and full accrual basis used for government-wide statements. The details of these differences are reported in the reconciliation on page 19.

Note 3. Stewardship, Compliance, and Accountability

Stewardship, compliance, and accountability are key concepts in defining the responsibilities of the City. The use of budgets and monitoring of equity status facilitate the City's compliance with legal requirements.

Budgets and Budgetary Accounting

The City Council follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Arizona Revised Statutes, the City Manager submits a proposed budget for the fiscal year commencing the following July 1 to the City Council. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
2. Public hearings are conducted to obtain taxpayer comment.
3. Prior to the third Monday in August, the expenditure limitation for the City is legally enacted through passage of an ordinance. To ensure compliance with the expenditure limitation, a uniform expenditure report must be filed with the State each year. This report, issued under a separate cover, reconciles total City expenditures from the audited financial statements to total expenditures for reporting in accordance with the State's uniform expenditure reporting system (A.R.S. §41-1279.07).
4. State law requires that, prior to April 1, the Economic Estimates Commission provides the City with a final expenditure limit for the coming fiscal year.

CITY OF LITCHFIELD PARK, ARIZONA
Notes to the Financial Statements
June 30, 2019

Note 3. Stewardship, Compliance, and Accountability, Continued

5. Expenditures may not legally exceed the expenditure limitation of all fund types as a whole. For management purposes, the City adopts a budget by department for the General Fund and in total by fund for other funds. The City Manager, subject to City Council approval, may at any time transfer any unencumbered appropriation balance or portion thereof between a department or activity. The adopted budget cannot be amended in any way without City Council approval.
6. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds on essentially the same modified accrual basis of accounting used to record actual revenues and expenditures.

The City is subject to the State of Arizona's Spending Limitation Law for Towns and Cities. This law does not permit the City to spend more than budgeted revenues plus the carry-over unrestricted cash balance from the prior fiscal year. The limitation is applied to the total of the combined funds. The City complied with this law during the year.

No supplementary budgetary appropriations were made during the year. The City's budget includes \$1,557,220 for contingencies.

Expenditures over Appropriations

The individual Statements of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual reports as listed in the table of contents present all of the funds which incurred an excess of expenditures/expenses over appropriations for the fiscal year ended June 30, 2019, if any.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City.

Taxes

Property taxes are assessed annually for the Community Facilities District and three Special Assessment Districts. Property tax revenues are recognized as revenues in the year collected or if collected within 60 days thereafter unless they are prepaid.

CITY OF LITCHFIELD PARK, ARIZONA
Notes to the Financial Statements
June 30, 2019

Note 4. Deposits and Investments

Deposits

Custodial Credit Risk

For deposits this is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The City does not have a formal policy for custodial credit risk. At June 30, 2019, cash on hand was \$850, and the carrying amount of the City's deposits was \$10,528,834. As of June 30, 2019, the City's bank balance of \$10,624,986 was fully insured or collateralized.

Investments

The Arizona State Treasurer's Office operates the Local Government Investment Pool (LGIP). The LGIP is available for investment of funds administered by any Arizona Public Treasurer.

The LGIP is not registered with the SEC as an investment company. The State Board of Investments provides oversight for the State Treasurer's investment pools. Deposits in the LGIP are not insured or otherwise guaranteed by the State of Arizona, and participants share proportionally in any realized gain or losses on investments.

The provisions of State law (A.R.S. 35-323) govern the investment of funds in excess of \$100,000. A.R.S. 35-323 allows for investments in certificates of deposit, interest bearing savings accounts, repurchase agreements with a maximum maturity of 180 days, pooled investment funds established by the State Treasurer, obligations guaranteed by the United States, bonds of the State of Arizona or other local municipalities, commercial paper of prime quality that is rated "P-1" by Moody's investors or "A-1" by Standard and Poor's rating service, and bonds, debentures or notes that are issued by corporations organized and doing business in the United States subject to certain restrictions. For investments of less than \$100,000, procedures as specified by local ordinance or resolution must be followed.

As of June 30, 2019 the City had the following investments, ratings, and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Weighted Average Maturity (Years)</u>
Arizona Local Government Investment Pool #5	4,669,583	(1)	0.10
Arizona Local Government Investment Pool #7	2,090,817	(2)	0.12

(1) The City's investment in the State Treasurer's Investment Pool #5 was rated AAA from Moody's

(2) The City's investment in the State Treasurer's Investment Pool #7 was rated AAA from Moody's

CITY OF LITCHFIELD PARK, ARIZONA
Notes to the Financial Statements
June 30, 2019

Note 4. Deposits and Investments, Continued

The City categorizes its fair value measurements 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 assets. 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.

The City has the following recurring fair value measurements as of June 30, 2019:

- Arizona Local Governmental Investment Pool is valued using inputs other than quoted prices, that are observable (Level 2 inputs).

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the provisions of State law (A.R.S. 35-323) which requires that the City's investment portfolio maturities do not exceed five years from the time of purchase.

Credit risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's policy for reducing its exposure to credit risk is to comply with State law (A.R.S. 35-323) which limits investment in commercial paper and corporate bonds to the top ratings issued by nationally recognized statistical rating organizations such as Standard & Poor's and Moody's Investor Services. A summary of the City's investments and investment ratings are provided in the schedule above.

CITY OF LITCHFIELD PARK, ARIZONA
Notes to the Financial Statements
June 30, 2019

Note 5. Interfund Receivables, Payables and Transfers

Interfund receivables or payables result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transaction are recorded in the accounting system, and (3) payments between funds are made.

As of June 30, 2019, interfund receivables and payables are as follows:

	Due from Other Funds	Due to Other Funds
General Fund	\$ 6,577	\$ -
Non-Major Funds	-	6,577
Total	\$ 6,577	\$ 6,577

Interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

As of June 30, 2019, interfund transfers are as follows:

	Transfers In		
Transfers Out:	General Fund	Debt Service Fund	Total
General Fund	-	378,792	378,792
Capital Improvement Fund	855,356	-	855,356
Non-Major Funds	14,224	-	14,224
Total transfers out	869,580	378,792	1,248,372

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in certain funds to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF LITCHFIELD PARK, ARIZONA
Notes to the Financial Statements
June 30, 2019

Note 6. Capital Assets

The following table summarizes the changes to capital assets for governmental activities during the year:

	Balance June 30, 2018	Additions	Retirements	Transfers/ Reclassifications *	Balance June 30, 2019
Primary Government					
Governmental Activities:					
Capital assets, not being depreciated:					
Land	\$ 8,066,862	\$ 80,321	\$ -	\$ 31,000	\$ 8,178,183
CIP	127,969	-	(127,969)	-	-
Total capital assets, not being depreciated	8,194,831	80,321	(127,969)	31,000	8,178,183
Capital assets, being depreciated:					
Buildings	177,002	-	(49,100)	583,142	711,044
Building improvements	400,267	183,324	-	150,161	733,752
Infrastructure	27,324,513	462,459	-	(946,140)	26,840,832
Land Improvements	1,332,122	859,212	(5,552)	946,140	3,131,922
Machinery and equipment	987,409	123,455	(25,238)	(167,380)	918,246
Office equipment	140,125	28,432	-	55,514	224,071
Vehicles	672,457	-	-	221,849	894,306
Total capital assets, being depreciated	31,033,895	1,656,882	(79,890)	843,286	33,454,173
Less accumulated depreciation for:					
Buildings	(112,439)	(14,192)	11,735	(460,027)	(574,923)
Building improvements	(263,652)	(37,788)	-	(127,270)	(428,710)
Infrastructure	(11,330,991)	(756,389)	-	47,307	(12,040,073)
Land Improvements	(373,339)	(97,103)	5,552	(47,307)	(512,197)
Machinery and equipment	(553,639)	(58,494)	20,319	72,703	(519,111)
Office equipment	(111,354)	(13,004)	-	(14,468)	(138,826)
Vehicles	(600,569)	(83,085)	-	(124,472)	(808,126)
Total accumulated depreciation	(13,345,983)	(1,060,055)	37,606	(653,534)	(15,021,966)
Total capital assets, being depreciated, net	17,687,912	596,827	(42,284)	189,752	18,432,207
Governmental activities capital assets, net	<u>\$ 25,882,743</u>	<u>\$ 677,148</u>	<u>\$ (170,253)</u>	<u>\$ 220,752</u>	<u>\$ 26,610,390</u>

* The transfers and reclassifications column represents capital assets that were (1) moved from one asset category to another, or (2) were previously reported as capital assets of business-type activities that are now being reported in the governmental activities. See also note 11.

Depreciation expense was charged to the functions/programs of the City as follows:

General government	\$ 158,579
Highways and streets	655,397
Culture and recreation	24,173
Public works	221,906
Total Depreciation expense-governmental activities	<u>\$ 1,060,055</u>

CITY OF LITCHFIELD PARK, ARIZONA
Notes to the Financial Statements
June 30, 2019

Note 7. Long-Term Liabilities

The following is a summary of changes in long-term obligations during the year:

	Balance June 30, 2018	Reclassifications	Additions	Retirements	Balance June 30, 2019	Current Portion
<u>Governmental Activities:</u>						
Compensated absences	\$ 124,927	\$ 34,089	\$ 20,502	\$ -	\$ 179,518	\$ 144,000
Community Facilities:						
Bonds payable from direct borrowings and direct placements:						
Series 2013 - District general obligation bonds	2,885,000	-	-	(285,000)	2,600,000	300,000
Series 2015 pledged revenue bonds	3,630,000	-	-	(240,000)	3,390,000	250,000
Net pension/OPEB liability	2,676,297	533,659	-	(264,603)	2,945,353	-
Total	<u>\$ 9,316,224</u>	<u>\$ 567,748</u>	<u>\$ 20,502</u>	<u>\$ (789,603)</u>	<u>\$ 9,114,871</u>	<u>\$ 694,000</u>
<u>Business-Type Activities</u>						
Compensated absences	\$ 34,089	\$ (34,089)	\$ -	\$ -	\$ -	\$ -
Net pension/OPEB liability	533,659	(533,659)	-	-	-	-
Total	<u>\$ 567,748</u>	<u>\$ (567,748)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Long-Term Liabilities	<u>\$ 9,883,972</u>	<u>\$ -</u>	<u>\$ 20,502</u>	<u>\$ (789,603)</u>	<u>\$ 9,114,871</u>	<u>\$ 694,000</u>

A description of other long-term liabilities are as follows:

The compensated absences represent the portion of employee vacation and sick leave that will not be liquidated with current assets of the governmental fund types. Each governmental funds' liability for compensated absences is liquidated by the respective fund, the majority of which is the general fund.

Net pension liabilities consist of Arizona State Retirement System and Public Safety Personnel Retirement System liabilities. See Note 8 for more information. Each governmental funds' liability for net pension liabilities is liquidated by the respective fund, the majority of which is the general fund.

CITY OF LITCHFIELD PARK, ARIZONA
Notes to the Financial Statements
June 30, 2019

Note 7. Long-Term Liabilities, Continued

Bonds payable from direct borrowings and direct placements are as follows:

The Community Facilities District Series 2013 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. Interest payments are due semi-annually and principal payments are due annually. Total annual payments range from \$360,442 to \$366,123, bearing interest at 2.9%, matures July 15, 2026. \$ 2,600,000

The Series 2015 Pledged Revenue 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. Interest payments are due semi-annually and principal payments are due annually. Total annual payments range from \$329,691 to \$334,717. Matures July 1, 2030. \$ 3,390,000

Total bonds payable from direct borrowings and direct placements \$ 5,990,000

Debt service maturities for bonds payable from direct borrowings and direct placements are as follows:

Year Ending June 30	Series 2013 Obligations		Series 2015 Obligations		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 295,000	\$ 71,123	\$ 245,000	\$ 84,302	\$ 540,000	\$ 155,424
2021	300,000	62,495	250,000	77,916	550,000	140,411
2022	310,000	53,650	255,000	71,402	565,000	125,052
2023	320,000	44,515	265,000	64,694	585,000	109,209
2024	330,000	35,090	270,000	57,792	600,000	92,882
2025-2029	1,045,000	46,038	1,465,000	178,988	2,510,000	225,025
2030-2031	-	-	640,000	16,641	640,000	16,641
Total	<u>\$ 2,600,000</u>	<u>\$ 312,910</u>	<u>\$ 3,390,000</u>	<u>\$ 551,733</u>	<u>\$ 5,990,000</u>	<u>\$ 864,643</u>

CITY OF LITCHFIELD PARK, ARIZONA
Notes to the Financial Statements
June 30, 2019

Note 8. Pensions and Other Postemployment Benefits

The City contributes to the Arizona State Retirement System plan described below. The plan is a component unit of the State of Arizona. At June 30, 2019, the City reported the following aggregate amounts related to pensions for plans to which it contributes:

<u>Statement of Net Position and Statement of Activities</u>	<u>ASRS</u>	<u>Governmental Activities Total</u>
Net pension/OPEB asset	\$ 7,717	\$ 7,717
Net pension/OPEB liabilities	2,945,353	2,945,353
Deferred outflows of resources	468,625	468,625
Deferred inflows of resources	429,367	429,367
Pension/OPEB expense	(234,264)	(234,264)

The City reported \$257,456 of pension expenditures in the governmental funds related to all pension plans to which it contributes.

Arizona State Retirement System (ASRS)

Plan description – The City participates in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan, and a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its website at www.azasrs.gov.

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:

	<u>Initial Membership Date Before July 1, 2011</u>	<u>Initial Membership Date On or After July 1, 2011</u>
Years of service and age required to receive benefit	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.

CITY OF LITCHFIELD PARK, ARIZONA
Notes to the Financial Statements
June 30, 2019

Note 8. Pensions and Other Postemployment Benefits, Continued

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 contributions and employer's contributions, plus interest earned.

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. For members with 10 or more years of service, benefits range from \$150 per month to \$260 per month depending on the age of the member and dependents. For members with 5 to 9 years of service, the benefits are the same dollar amounts as above multiplied by a vesting fraction based on completed years of service.

Active members are eligible for a monthly long-term disability benefit equal to two-thirds of monthly earnings. Members receiving benefits continue to earn service credit up to their normal retirement dates. Members with long-term disability commencement dates after June 30, 1999, are limited to 30 years of service or the service on record as of the effective disability date if their service is greater than 30 years.

Contributions – In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. 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, 2019, statute required active ASRS members to contribute at the actuarially determined rate of 11.8 percent (11.64 percent for retirement and 0.16 percent for long-term disability) of the members' annual covered payroll, and statute required the City to contribute at the actuarially determined rate of 11.8 percent (11.18 percent for retirement, 0.46 percent for health insurance premium benefit, and 0.16 percent for long-term disability) of the active members' annual covered payroll.

The City's contributions for the pension, health insurance premium benefit, and long-term disability plans for the year ended June 30, 2019, were \$236,505, \$9,731, and \$3,385, respectively.

Liability – At June 30, 2019, the City reported the following asset and liabilities for its proportionate share of the ASRS' net pension/OPEB asset or liability.

	Net pension/OPEB (asset) liability
Pension	\$ 2,934,340
Health insurance premium benefit	(7,717)
Long-term disability	11,014

CITY OF LITCHFIELD PARK, ARIZONA
Notes to the Financial Statements
June 30, 2019

Note 8. Pensions and Other Postemployment Benefits, Continued

The net asset and net liabilities were measured as of June 30, 2018. The total liability used to calculate the net asset or net liability was determined using update procedures to roll forward the total liability from an actuarial valuation as of June 30, 2017, to the measurement date of June 30, 2018. The total liabilities as of June 30, 2018, reflect changes in actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016, including decreasing the discount rate from 8 percent to 7.5 percent, changing the projected salary increases from 3–6.75 percent to 2.7–7.2 percent, decreasing the inflation rate from 3 percent to 2.3 percent, and changing the mortality rates.

The City's proportion of the net asset or net liability was based on the City's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2018. The City's proportions measured as of June 30, 2018 and the change from its proportions measured as of June 30, 2017, were:

	Proportion <u>June 30, 2017</u>	Proportion <u>June 30, 2018</u>	Increase (decrease) from <u>June 30, 2017</u>
Pension	0.020630%	0.021040%	0.000410%
Health insurance premium benefit	0.020700%	0.021430%	0.000730%
Long-term disability	0.020620%	0.021080%	0.000460%

The net asset and net liabilities measured as of June 30, 2019, will reflect changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2017. The change in the City's net asset and net liabilities as a result of these changes is not known.

Expense – For the year ended June 30, 2019, the City recognized the following pension and OPEB expense:

	Pension/OPEB Expense
Pension	\$ (1,511)
Health insurance premium benefit	7,683
Long-term disability	4,004

CITY OF LITCHFIELD PARK, ARIZONA
Notes to the Financial Statements
June 30, 2019

Note 8. Pensions and Other Postemployment Benefits, Continued

Deferred outflows/inflows of resources

At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	Pension		Health Insurance Premium Benefit		Long-Term Disability	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 80,839	\$ 16,177	\$ -	\$ 7,122	\$ 282	\$ -
Changes of assumptions or other inputs	77,648	260,169	14,882	-	2,386	-
Net difference between projected and actual earnings on pension plan investments	-	70,564	-	15,415	-	1,067
Changes in proportion and differences between contributions and proportionate share of contributions	42,775	58,843	31	10	161	-
Contributions subsequent to the measurement date	236,505	-	9,731	-	3,385	-
Total	<u>\$ 437,767</u>	<u>\$ 405,753</u>	<u>\$ 24,644</u>	<u>\$ 22,547</u>	<u>\$ 6,214</u>	<u>\$ 1,067</u>

The amounts reported as deferred outflows of resources related to ASRS pensions and OPEB resulting from City contributions subsequent to the measurement date will be recognized as an increase of the net asset or a reduction of the net liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions and OPEB will be recognized as expenses as follows:

Year Ended June 30,	Pension	Health Insurance Premium Benefit	Long-term disability
2020	\$ (6,066)	\$ (2,983)	\$ 56
2021	(59,740)	(2,984)	56
2022	(107,040)	(2,984)	55
2023	(31,645)	302	341
2024	-	1,015	393
Thereafter	-	-	861

CITY OF LITCHFIELD PARK, ARIZONA
Notes to the Financial Statements
June 30, 2019

Note 8. Pensions and Other Postemployment Benefits, Continued

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

Actuarial valuation date	June 30, 2017
Actuarial roll forward date	June 30, 2018
Actuarial cost method	Entry age normal
Investment rate of return	7.5%
Projected salary increases	2.7-7.2% for pensions/not applicable for OPEB
Inflation	2.3%
Permanent benefit increase	Included for pensions/not applicable for OPEB
Mortality rates	2017 SRA Scale U-MP for pensions and health insurance premium benefit
Recovery rates	2012 GLDT for long-term disability
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2017, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

The long-term expected rate of return on ASRS plan investments was determined to be 7.5 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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 Portfolio Real Rate of Return</u>
Equity	50%	5.50%
Fixed income	30%	3.83%
Real estate	20%	5.85%
Totals	<u>100%</u>	

Discount Rate –The discount rate used to measure the ASRS total pension/OPEB liability was 7.5 percent, which was a decrease of 0.5 from the discount used as of June 30, 2017. 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 plans’ fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

CITY OF LITCHFIELD PARK, ARIZONA
Notes to the Financial Statements
June 30, 2019

Note 8. Pensions and Other Postemployment Benefits, Continued

Sensitivity of the proportionate share of the net pension/OPEB (asset) liability to changes in the discount rate – The following table presents the City's proportionate share of the net pension/OPEB (asset) liability calculated using the discount rate of 7.5 percent, as well as what the City's proportionate share of the net pension/OPEB (asset) liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate:

	1% Decrease <u>(6.5%)</u>	Discount Rate <u>(7.5%)</u>	1% Increase <u>(8.5%)</u>
Proportionate share of			
Net pension liability	\$ 4,182,969	\$ 2,934,340	\$ 1,891,130
Net insurance premium benefit liability (asset)	27,342	(7,717)	(37,580)
Net long-term disability liability	12,482	11,014	9,590

Plan fiduciary net position – Detailed information about the plans' fiduciary net position is available in the separately issued ASRS financial report.

CITY OF LITCHFIELD PARK, ARIZONA
Notes to the Financial Statements
June 30, 2019

Note 9. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The City's insurance protection is provided by the Arizona Municipal Risk Retention Pool, of which the City is a participating member. The City's insurance coverage includes coverage up to \$2 million per occurrence claim with general liability, and a \$3 million in excess claim - aggregate.

The Arizona Municipal Risk Retention Pool is structured such that members' premiums are based on an actuarial review that will provide adequate reserves to allow the pool to meet its expected financial obligations. The pool has the authority to assess its member's additional premiums should reserves and annual premiums be insufficient to meet the pool's obligations.

The City continues to carry commercial insurance for other risks of loss, including workers, compensation and employee health and accident. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past four fiscal years. The City is insured by SCF of Arizona for potential worker related accidents.

Note 10. Contingencies

The City is involved with various matters of litigation from year to year. It is the opinion of City officials that these cases will either be handled by the City's insurance coverage or that they will not have a material effect on the City's financial condition.

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City does not anticipate any such amounts.

CITY OF LITCHFIELD PARK, ARIZONA
Notes to the Financial Statements
June 30, 2019

Note 11. Change in Fund Reporting

As mentioned in Note 1 to the financial statements, in previous years, the City reported three separate proprietary funds – Recreation Services, Community Services, and Special Events. From the time these Funds were established, the majority of their funding came from transfers from the General Fund. GASB states that Proprietary funds should be utilized to report on activities financed primarily by revenues generated by the activities themselves. Therefore, since these Funds were primarily financed through transfers from the General Fund and not revenues generated by themselves, management of the City determined it was more appropriate to account for these activities within the City’s General Fund.

The effect of this combination on the General Fund and the governmental activities is presented below.

General Fund beginning fund balance, as previously stated.	\$ 4,152,531
Current assets, previously reported in the Proprietary Funds, now reported in the general fund.	442,401
Current liabilities, previously reported in the Proprietary Funds, now reported in the general fund.	<u>(108,257)</u>
General Fund beginning fund balance, as restated.	<u>\$ 4,486,675</u>
Governmental Activities beginning net position, as previously stated.	\$ 24,002,427
Assets and deferred outflows, previously reported as business-type activities, now reported as governmental activities.	735,132
Liabilities and deferred inflows, previously reported as business-type activities, now reported as governmental activities.	<u>(735,132)</u>
Governmental Activities beginning net position, as restated.	<u>\$ 24,002,427</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LITCHFIELD PARK, ARIZONA
Schedule of the Proportionate Share of the Net Pension Liability
June 30, 2019

ASRS - Pension	Reporting Fiscal Year				
	(Measurement Date)				
	2019	2018	2017	2016	2015
	(2018)	(2017)	(2016)	(2015)	(2014)
Proportion of the net pension liability (asset)	0.021040%	0.020630%	0.021430%	0.022400%	0.020030%
Proportionate share of the net pension liability (asset)	\$ 2,934,340	\$ 3,213,752	\$ 3,459,017	\$ 3,488,674	\$ 2,963,852
Covered payroll	2,136,642	1,993,594	2,239,760	2,062,902	1,805,617
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	137.33%	161.20%	154.44%	169.11%	164.15%
Plan fiduciary net position as a percentage of the total pension liability	73.40%	69.92%	67.06%	68.35%	69.49%

Note: In accordance with GASB 68, employers will need to disclose a 10-year history for the pension schedule above. Additional information will be displayed as it becomes available.

CITY OF LITCHFIELD PARK, ARIZONA
Schedule of the Proportionate Share of the Net OPEB Liability
June 30, 2019

ASRS - Health insurance premium benefit	Reporting Fiscal Year	
	(Measurement Date)	
	2019	2018
	(2018)	(2017)
Proportion of the net OPEB (asset)	0.021430%	0.207000%
Proportionate share of the net OPEB (asset)	\$ (7,717)	\$ (11,269)
Covered payroll	\$ 2,136,642	\$ 1,993,594
Proportionate share of the net OPEB (asset) as a percentage of its covered payroll	-0.36%	-0.57%
Plan fiduciary net position as a percentage of the total OPEB liability	102.20%	103.57%
ASRS - Long-term disability		
	Reporting Fiscal Year	
	(Measurement Date)	
	2019	2018
	(2018)	(2017)
Proportion of the net OPEB (asset)	0.021080%	0.020620%
Proportionate share of the net OPEB (asset)	\$ 11,014	\$ 7,474
Covered payroll	\$ 2,136,642	\$ 1,993,594
Proportionate share of the net OPEB (asset) as a percentage of its covered payroll	0.52%	0.37%
Plan fiduciary net position as a percentage of the total OPEB liability	77.83%	84.44%

Note: In accordance with GASB 75, employers will need to disclose a 10-year history for the pension schedule above. Additional information will be displayed as it becomes available.

CITY OF LITCHFIELD PARK, ARIZONA
Schedule of Pension and OPEB Contributions
June 30, 2019

ASRS - Pension	Reporting Fiscal Year					
	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 236,505	\$ 232,894	\$ 216,305	\$ 243,014	\$ 224,650	\$ 193,201
Contributions in relation to the contractually required contribution	\$ (236,505)	\$ (232,894)	\$ (216,305)	\$ (243,014)	\$ (224,650)	\$ (193,201)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 2,115,433	\$ 2,136,642	\$ 1,993,594	\$ 2,239,760	\$ 2,062,902	\$ 1,805,617
Contributions as a percentage of covered payroll	11.18%	10.90%	10.85%	10.85%	10.89%	10.70%

Note: In accordance with GASB 68, employers will need to disclose a 10-year history for the pension schedule above. Additional information will be displayed as it becomes available.

CITY OF LITCHFIELD PARK, ARIZONA
Schedule of Pension and OPEB Contributions
June 30, 2019

ASRS - Health insurance premium benefit	Reporting Fiscal Year		
	2019	2018	2017
Contractually required contribution	\$ 9,731	\$ 9,402	\$ 9,967
Contributions in relation to the contractually required contribution	(9,731)	(9,402)	(9,967)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 2,115,433	\$ 2,136,642	\$ 1,993,594
Contributions as a percentage of covered payroll	0.46%	0.44%	0.50%

ASRS - Long-term disability	Reporting Fiscal Year		
	2019	2018	2017
Contractually required contribution	\$ 3,385	\$ 3,419	\$ 2,392
Contributions in relation to the contractually required contribution	(3,385)	(3,419)	(2,392)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 2,115,433	\$ 2,136,642	\$ 1,993,594
Contributions as a percentage of covered payroll	0.16%	0.16%	0.12%

Note: In accordance with GASB 75, employers will need to disclose a 10-year history for the pension schedules above. Additional information will be displayed as it becomes available.

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REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULES
FOR THE FOLLOWING MAJOR FUNDS

General Fund

The **General Fund** is used to account for resources traditionally associated with City which are not required legally or by sound financial management to be accounted for in another fund.

Special Revenue Funds

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

- **Highway User Revenue Fund** (Streets) – This fund is used to account for the City’s share of motor fuel tax revenues which are set aside for the maintaining, repairing, and upgrading of streets.

CITY OF LITCHFIELD PARK, ARIZONA
Statement of Revenues, Expenditures, and Changes in Fund Balance
General Fund
Budget and Actual
For the Fiscal Year Ended June 30, 2019

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ 6,774,903	\$ 6,774,903	\$ 7,783,429	\$ 1,008,526
Licenses and permits	378,000	378,000	519,584	141,584
Intergovernmental	1,534,916	1,534,916	1,593,906	58,990
Charges for services	644,000	644,000	679,336	35,336
Fines	42,000	42,000	28,566	(13,434)
Investment earnings	9,000	9,000	40,361	31,361
Miscellaneous	1,097,934	1,097,934	145,338	(952,596)
Total revenues	<u>10,480,753</u>	<u>10,480,753</u>	<u>10,790,520</u>	<u>309,767</u>
EXPENDITURES:				
General government:				
City manager's office	331,815	331,815	323,754	8,061
Operations contingency	1,747,220	1,557,220	-	1,557,220
City attorney	150,000	150,000	82,280	67,720
Magistrate court	239,205	239,205	144,284	94,921
Mayor and city council	19,000	19,000	17,314	1,686
Planning services	356,629	356,629	161,493	195,136
City clerk's office	387,040	387,040	318,377	68,663
Finance and human resources	773,650	803,150	688,930	114,220
Total general government	<u>4,004,559</u>	<u>3,844,059</u>	<u>1,736,432</u>	<u>2,107,627</u>
Public works:				
Public works maintenance	2,342,311	2,332,811	2,164,737	168,074
Engineering services	191,000	191,000	125,302	65,698
Building safety and zoning enforcement	233,005	233,005	204,429	28,576
Total public works	<u>2,766,316</u>	<u>2,756,816</u>	<u>2,494,468</u>	<u>262,348</u>
Culture and recreation:				
Recreation services	772,101	892,101	845,518	46,583
Community services	123,695	123,695	108,671	15,024
Special events	229,696	279,696	272,471	7,225
Total culture and recreation	<u>1,125,492</u>	<u>1,295,492</u>	<u>1,226,660</u>	<u>68,832</u>
Public safety:				
Public safety	1,415,605	1,415,605	1,391,710	23,895
Total public safety	<u>1,415,605</u>	<u>1,415,605</u>	<u>1,391,710</u>	<u>23,895</u>
TOTAL EXPENDITURES	<u>9,311,972</u>	<u>9,311,972</u>	<u>6,849,270</u>	<u>2,462,702</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,168,781</u>	<u>1,168,781</u>	<u>3,941,250</u>	<u>2,772,469</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	6,500	6,500	869,580	863,080
Transfers out	(6,954,845)	(6,954,845)	(378,792)	6,576,053
Total other financing sources (uses)	<u>(6,948,345)</u>	<u>(6,948,345)</u>	<u>490,788</u>	<u>7,439,133</u>
Net change in fund balance	(5,779,564)	(5,779,564)	4,432,038	10,211,602
Fund balance, beginning of year - as restated	4,486,675	4,486,675	4,486,675	-
Fund balance, end of year	<u>\$ (1,292,889)</u>	<u>\$ (1,292,889)</u>	<u>\$ 8,918,713</u>	<u>\$ 10,211,602</u>

CITY OF LITCHFIELD PARK, ARIZONA
Statement of Revenues, Expenditures, and Changes in Fund Balance
Highway Users Revenue Fund
Special Revenue Fund
Budget and Actual
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental	\$ 362,255	\$ 362,255	\$ 411,041	\$ 48,786
Total intergovernmental	362,255	362,255	411,041	48,786
Other revenue:				
Investment earnings	100	100	1,378	1,278
Total revenue	<u>362,355</u>	<u>362,355</u>	<u>412,419</u>	<u>50,064</u>
EXPENDITURES:				
Streets	100,200	650,200	565,914	84,286
Total expenditures	<u>100,200</u>	<u>650,200</u>	<u>565,914</u>	<u>84,286</u>
Excess (deficiency) of revenues over (under) expenditures	<u>262,155</u>	<u>(287,845)</u>	<u>(153,495)</u>	<u>134,350</u>
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	262,155	262,155	-	(262,155)
Total Other Financing Sources (Uses):	<u>262,155</u>	<u>262,155</u>	<u>-</u>	<u>(262,155)</u>
Net change in fund balance	524,310	(25,690)	(153,495)	(127,805)
Fund balance, beginning of year	<u>888,147</u>	<u>888,147</u>	<u>888,147</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,412,457</u>	<u>\$ 862,457</u>	<u>\$ 734,652</u>	<u>\$ (127,805)</u>

SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULES
FOR THE FOLLOWING MAJOR FUNDS

- **Capital Improvement Fund** – This fund is used to account for major capital asset purchases and capital projects.
- **Debt Service Fund** – This fund is used to account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of the Community Facilities District.

CITY OF LITCHFIELD PARK, ARIZONA
Statement of Revenues, Expenditures, and Changes in Fund Balance
Capital Improvement Fund
Budget and Actual
For the Fiscal Year Ended June 30, 2019

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Investment earnings	\$ -	\$ -	\$ 9,418	\$ 9,418
Total revenues	-	-	9,418	9,418
EXPENDITURES:				
General government:				
Capital outlay	4,217,000	4,217,000	646,792	3,570,208
Total expenditures	4,217,000	4,217,000	646,792	3,570,208
Excess (deficiency) of revenues over (under) expenditures	(4,217,000)	(4,217,000)	(637,374)	3,579,626
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	(855,356)	(855,356)
Total other financing sources (uses)	-	-	(855,356)	(855,356)
Net change in fund balance	(4,217,000)	(4,217,000)	(1,492,730)	2,724,270
Fund balance, beginning of year	1,492,730	1,492,730	1,492,730	-
Fund balance, end of year	<u>\$ (2,724,270)</u>	<u>\$ (2,724,270)</u>	<u>\$ -</u>	<u>\$ 2,724,270</u>

CITY OF LITCHFIELD PARK, ARIZONA
Statement of Revenues, Expenditures, and Changes in Fund Balance
Debt Service Fund
Budget and Actual
For the Fiscal Year Ended June 30, 2019

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ 370,420	\$ 370,420	\$ 324,362	\$ (46,058)
Investment earnings	100	100	908	808
Total revenues	<u>370,520</u>	<u>370,520</u>	<u>325,270</u>	<u>(45,250)</u>
EXPENDITURES:				
General government:				
Debt service:				
Principal	295,000	535,000	540,000	(5,000)
Interest	75,400	175,400	164,062	11,338
Total expenditures	<u>370,400</u>	<u>710,400</u>	<u>704,062</u>	<u>6,338</u>
Excess (deficiency) of revenues over (under) expenditures	<u>120</u>	<u>(339,880)</u>	<u>(378,792)</u>	<u>(38,912)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	378,792	378,792
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>378,792</u>	<u>378,792</u>
Net change in fund balance	120	(339,880)	-	339,880
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ 120</u>	<u>\$ (339,880)</u>	<u>\$ -</u>	<u>\$ 339,880</u>

SUPPLEMENTARY INFORMATION
COMBINING STATEMENTS
AND BUDGETARY COMPARISON SCHEDULES

Non-major Governmental Funds

Special Revenue Funds

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

- **Court Enhancement Fund** – This fund is used to account for the City’s court enhancement activities.
- **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, 2019

	<u>Special Revenue Funds</u>				<u>Total</u>
	<u>Court Enhancement</u>	<u>Special Lighting Improvement District I</u>	<u>Special Lighting Improvement District II</u>	<u>Special Lighting Improvement District III</u>	
ASSETS					
Cash and cash equivalents	\$ 192,677	\$ -	\$ 99,751	\$ -	\$ 292,428
Accounts receivable	527	151	1,132	497	2,307
Total assets	<u>\$ 193,204</u>	<u>\$ 151</u>	<u>\$ 100,883</u>	<u>\$ 497</u>	<u>\$ 294,735</u>
LIABILITIES					
Due to other funds	<u>\$ -</u>	<u>\$ 4,584</u>	<u>\$ -</u>	<u>\$ 1,993</u>	<u>\$ 6,577</u>
Total liabilities	<u>-</u>	<u>4,584</u>	<u>-</u>	<u>1,993</u>	<u>6,577</u>
FUND BALANCES					
Restricted	-	-	100,883	-	100,883
Committed	193,204	-	-	-	193,204
Unassigned	<u>-</u>	<u>(4,433)</u>	<u>-</u>	<u>(1,496)</u>	<u>(5,929)</u>
Total fund balances	<u>193,204</u>	<u>(4,433)</u>	<u>100,883</u>	<u>(1,496)</u>	<u>288,158</u>
Total liabilities and fund balances	<u>\$ 193,204</u>	<u>\$ 151</u>	<u>\$ 100,883</u>	<u>\$ 497</u>	<u>\$ 294,735</u>

CITY OF LITCHFIELD PARK, ARIZONA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-major Governmental Funds
For the Fiscal Year Ended June 30, 2019

	<u>Special Revenue Funds</u>				<u>Total</u>
	<u>Court Enhancement</u>	<u>Special Lighting Improvement District I</u>	<u>Special Lighting Improvement District II</u>	<u>Special Lighting Improvement District III</u>	
REVENUES:					
Special assessments	\$ -	\$ 36,384	\$ 133,378	\$ 46,657	\$ 216,419
Fines	4,073	-	-	-	4,073
Investment earnings	5,210	-	151	-	5,361
Total revenues	<u>9,283</u>	<u>36,384</u>	<u>133,529</u>	<u>46,657</u>	<u>225,853</u>
EXPENDITURES:					
Streetlights	-	35,600	160,055	40,857	236,512
Total expenditures	<u>-</u>	<u>35,600</u>	<u>160,055</u>	<u>40,857</u>	<u>236,512</u>
Excess (deficiency) of revenues over (under) expenditures	<u>9,283</u>	<u>784</u>	<u>(26,526)</u>	<u>5,800</u>	<u>(10,659)</u>
OTHER FINANCING SOURCES (USES):					
Transfers out	<u>(14,224)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(14,224)</u>
Total other financing sources (uses):	<u>(14,224)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(14,224)</u>
Net change in fund balances	(4,941)	784	(26,526)	5,800	(24,883)
Fund balances, beginning of year	<u>198,145</u>	<u>(5,217)</u>	<u>127,409</u>	<u>(7,296)</u>	<u>313,041</u>
Fund balances, end of year	<u>\$ 193,204</u>	<u>\$ (4,433)</u>	<u>\$ 100,883</u>	<u>\$ (1,496)</u>	<u>\$ 288,158</u>

CITY OF LITCHFIELD PARK, ARIZONA
SPECIAL LIGHTING IMPROVEMENT DISTRICT I
SPECIAL REVENUE FUND
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Special assessments	\$ 36,609	\$ 36,609	\$ 36,384	\$ (225)
Total revenue	36,609	36,609	36,384	(225)
EXPENDITURES:				
Streetlights	36,306	36,306	35,600	706
Total expenditures	36,306	36,306	35,600	706
Excess (deficiency) of revenues over (under) expenditures	303	303	784	481
Net change in fund balance	303	303	784	481
Fund balance, beginning of year	(5,217)	(5,217)	(5,217)	-
Fund balance, end of year	<u>\$ (4,914)</u>	<u>\$ (4,914)</u>	<u>\$ (4,433)</u>	<u>\$ 481</u>

CITY OF LITCHFIELD PARK, ARIZONA
SPECIAL LIGHTING IMPROVEMENT DISTRICT II
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Special assessments	\$ 134,331	\$ 134,331	\$ 133,378	\$ (953)
Other revenue:				
Investment earnings	<u>-</u>	<u>-</u>	<u>151</u>	<u>151</u>
Total revenue	<u>134,331</u>	<u>134,331</u>	<u>133,529</u>	<u>(802)</u>
EXPENDITURES:				
Streetlights	<u>160,862</u>	<u>160,862</u>	<u>160,055</u>	<u>807</u>
Total expenditures	<u>160,862</u>	<u>160,862</u>	<u>160,055</u>	<u>807</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(26,531)</u>	<u>(26,531)</u>	<u>(26,526)</u>	<u>5</u>
Net change in fund balance	(26,531)	(26,531)	(26,526)	5
Fund balance, beginning of year	<u>127,409</u>	<u>127,409</u>	<u>127,409</u>	<u>-</u>
Fund balance, end of year	<u>\$ 100,878</u>	<u>\$ 100,878</u>	<u>\$ 100,883</u>	<u>\$ 5</u>

CITY OF LITCHFIELD PARK, ARIZONA
SPECIAL LIGHTING IMPROVEMENT DISTRICT III
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2019

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Special assessments	\$ 46,380	\$ 46,380	\$ 46,657	\$ 277
Total revenue	<u>46,380</u>	<u>46,380</u>	<u>46,657</u>	<u>277</u>
EXPENDITURES:				
Streetlights	41,702	41,702	40,857	845
Total expenditures	<u>41,702</u>	<u>41,702</u>	<u>40,857</u>	<u>845</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,678</u>	<u>4,678</u>	<u>5,800</u>	<u>1,122</u>
Net change in fund balance	4,678	4,678	5,800	1,122
Fund balance, beginning of year	<u>(7,296)</u>	<u>(7,296)</u>	<u>(7,296)</u>	<u>-</u>
Fund balance, end of year	<u>\$ (2,618)</u>	<u>\$ (2,618)</u>	<u>\$ (1,496)</u>	<u>\$ 1,122</u>

SUPPLEMENTARY INFORMATION
CAPITAL ASSET SCHEDULES

- **Schedule of Capital Assets – By Function and Activity**
- **Schedule of Changes in Capital Assets – By Function and Activity**

CITY OF LITCHFIELD PARK, ARIZONA
Schedule of Capital Assets – By Function and Activity
June 30, 2019

Function and Activity	Vehicles	Machinery and Equipment	Office Equipment	Improvements		Buildings	Construction in Progress and Infrastructure	Land	Total
				Land	Building Improvements				
General government	\$ 60,643	\$ 66,917	\$ 168,557	\$ 3,100,922	\$ 439,057	\$ 177,003	\$ 283,340	\$ 7,178,183	\$ 11,474,622
Public safety	45,532	14,230	-	-	-	-	-	-	59,762
Highways and streets	-	-	-	-	-	-	23,762,249	-	23,762,249
Public works:									-
Parks and right of way	788,131	761,108	-	-	95,433	-	2,746,387	-	4,391,059
Culture and recreation	-	75,991	55,514	31,000	199,262	534,041	48,856	1,000,000	1,944,664
Total capital assets	<u>\$ 894,306</u>	<u>\$ 918,246</u>	<u>\$ 224,071</u>	<u>\$ 3,131,922</u>	<u>\$ 733,752</u>	<u>\$ 711,044</u>	<u>\$ 26,840,832</u>	<u>\$ 8,178,183</u>	<u>41,632,356</u>
Less: accumulated depreciation									(15,021,966)
Net capital assets									<u>\$ 26,610,390</u>

CITY OF LITCHFIELD PARK, ARIZONA
Schedule of Changes in Capital Assets – By Function and Activity
Year Ended June 30, 2019

Function and Activity	Balance June 30, 2018	Additions	Deletions	June 30, 2019
General government	\$ 10,416,711	\$ 1,240,532	\$ (182,621)	\$ 11,474,622
Public safety	59,762	-	-	59,762
Highways and streets	23,299,790	462,459	-	23,762,249
Public works				
Parks and right-of-way	4,343,011	73,286	(25,238)	4,391,059
Culture and recreation	1,109,452	835,212	-	1,944,664
Total capital assets	39,228,726	2,611,489	(207,859)	41,632,356
Less: accumulated depreciation	(13,999,517)	(1,060,055)	37,606	(15,021,966)
Net capital assets	\$ 25,229,209	\$ 1,551,434	\$ (170,253)	\$ 26,610,390

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STATISTICAL SECTION

This part of the City of Litchfield Park’s financial report presents detailed information as a context for understanding what the information in the financial statements, notes disclosures, and required supplementary information says about the government’s overall financial health.

Contents	Page
Financial Trends	66
<i>These schedules contain trend information to help the reader understand how the government’s financial performance and well-being have changed over time.</i>	
Revenue Capacity	72
<i>These schedules contain information to help the reader assess the government’s most significant local revenues source, the sales tax.</i>	
Debt Capacity	75
<i>These schedules present information to help the reader assess the affordability of the government’s current levels of outstanding debt and the government’s ability to issue additional debt in the future.</i>	
Demographic and Economic Information.....	79
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government’s financial activities take place.</i>	
Operating Information	80
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the government’s financial report relates to the services the government provides and the activities it performs</i>	

CITY OF LITCHFIELD PARK, ARIZONA
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	<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>	<u>As restated 2017</u>	<u>2018</u>	<u>2019</u>
Governmental activities										
Net investment in capital assets	\$ 12,448,002	\$ 13,145,855	\$ 12,868,602	\$ 13,270,165	\$ 15,130,915	\$ 16,133,050	\$ 15,453,341	\$ 19,008,722	\$ 19,367,743	\$ 17,495,519
Restricted	2,378,283	2,456,808	2,273,027	5,530,008	529,337	635,766	4,135,707	2,538,614	2,508,285	835,535
Unrestricted	3,845,962	3,644,091	4,343,242	803,439	3,887,015	2,548,234	(1,504,004)	(1,102,434)	2,126,400	9,692,963
Total governmental activities net position	<u>\$ 18,672,247</u>	<u>\$ 19,246,754</u>	<u>\$ 19,484,871</u>	<u>\$ 19,603,612</u>	<u>\$ 19,547,267</u>	<u>\$ 19,317,050</u>	<u>\$ 18,085,044</u>	<u>\$ 20,444,902</u>	<u>\$ 24,002,428</u>	<u>\$ 28,024,017</u>
Business-type activities *										
Net investment in capital assets	\$ 172,989	\$ 152,816	\$ 169,623	\$ 220,724	\$ 214,111	\$ 228,928	\$ 193,742	\$ 159,253	\$ 220,753	\$ -
Unrestricted (deficit)	(172,989)	(152,816)	(169,623)	(220,724)	(739,499)	(843,576)	(193,742)	(159,253)	(220,753)	-
Total business-type activities net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (525,388)</u>	<u>\$ (614,648)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Primary government										
Net investment in capital assets	\$ 12,620,991	\$ 13,298,671	\$ 13,038,225	\$ 13,490,889	\$ 15,345,026	\$ 16,361,978	\$ 15,647,083	\$ 19,167,975	\$ 19,588,496	\$ 17,495,519
Restricted	2,378,283	2,262,936	2,273,027	5,530,008	529,337	635,766	4,135,707	2,538,614	2,508,285	835,535
Unrestricted (deficit)	3,672,973	3,685,147	4,173,619	582,715	3,147,516	1,704,658	(1,697,746)	(1,261,687)	1,905,647	9,692,963
Total primary government net position	<u>\$ 18,672,247</u>	<u>\$ 19,246,754</u>	<u>\$ 19,484,871</u>	<u>\$ 19,603,612</u>	<u>\$ 19,021,879</u>	<u>\$ 18,702,402</u>	<u>\$ 18,085,044</u>	<u>\$ 20,444,902</u>	<u>\$ 24,002,428</u>	<u>\$ 28,024,017</u>

Source: Statement of Net Position
City financial records and reports

* In fiscal year 2019, the business-type activities were combined with the governmental activities.

CITY OF LITCHFIELD PARK, ARIZONA
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

Expenses	As restated 2010	2011	As restated 2012	As restated 2013	2014	2015	2016	As restated 2017	2018	2019
Governmental activities:										
General government	\$ 1,341,656	\$ 1,211,802	\$ 1,340,887	\$ 1,614,562	\$ 1,723,100	\$ 1,668,550	\$ 2,159,373	\$ 1,707,082	\$ 1,536,567	\$ 1,811,098
Public safety	735,388	1,166,193	1,165,910	1,185,866	1,209,102	1,308,032	1,430,533	1,454,239	1,482,425	1,388,260
Public works	2,270,364	2,342,011	2,250,313	2,536,120	2,496,878	2,461,077	2,607,736	2,577,831	2,683,012	2,657,676
Streets	465,604	323,461	745,600	1,139,038	1,591,832	1,730,087	1,850,901	1,631,081	972,553	814,010
Streetlights	200,430	213,300	218,914	225,161	228,599	229,612	232,247	230,378	238,865	237,146
Culture and recreation	-	-	-	-	-	-	-	-	-	1,217,496
Interest on long-term debt	331,838	321,387	310,386	297,787	125,052	107,010	204,722	184,796	178,787	164,062
Total governmental activities expenses	\$ 5,345,280	\$ 5,578,154	\$ 6,032,010	\$ 6,998,534	\$ 7,374,563	\$ 7,504,368	\$ 8,485,512	\$ 7,785,407	\$ 7,092,209	\$ 8,289,748
Business-type activities: *										
Community and Recreation Services	\$ 902,476	\$ 849,836	\$ 879,909	\$ 1,014,666	\$ 978,019	\$ 1,071,914	\$ 1,004,236	\$ 1,182,971	\$ 1,159,302	\$ -
Total business-type activities expenses	902,476	849,836	879,909	1,014,666	978,019	1,071,914	1,004,236	1,182,971	1,159,302	-
Total primary government expenses	\$ 6,247,756	\$ 6,427,990	\$ 6,911,919	\$ 8,013,200	\$ 8,352,582	\$ 8,576,282	\$ 9,489,748	\$ 8,968,378	\$ 8,251,511	\$ 8,289,748
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 53,662	\$ 51,850	\$ 56,547	\$ 53,015	\$ 48,863	\$ -	\$ -	\$ -	\$ -	\$ 26,020
Public safety	95,125	102,567	113,557	107,392	94,770	105,686	67,448	47,218	40,970	32,639
Public works	139,516	218,405	310,650	452,893	334,088	533,136	772,322	652,434	620,784	493,564
Streetlights	209,925	198,109	227,222	223,816	209,973	225,697	251,962	274,318	231,966	216,419
Culture and recreation	-	-	-	-	-	-	-	-	-	679,336
Operating grants and contributions	-	-	-	-	-	-	-	-	-	411,041
Capital grants and contributions	934,945	647,899	660,444	604,429	3,324,874	564,650	353,313	647,338	430,106	626,602
Total governmental activities program revenues	\$ 1,433,173	\$ 1,218,830	\$ 1,368,420	\$ 1,441,545	\$ 4,012,568	\$ 1,429,169	\$ 1,445,045	\$ 1,621,308	\$ 1,323,826	\$ 2,485,621
Business-type activities: *										
Charges for services:										
Community and recreation services	\$ 491,767	\$ 527,654	\$ 559,871	\$ 602,240	\$ 627,554	\$ 639,978	\$ 625,768	\$ 645,779	\$ 600,867	\$ -
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total business-type activities program revenues	491,767	527,654	559,871	602,240	627,554	639,978	625,768	645,779	600,867	-
Total primary government program revenues	\$ 1,924,940	\$ 1,746,484	\$ 1,928,291	\$ 2,043,785	\$ 4,640,122	\$ 2,069,147	\$ 2,070,813	\$ 2,267,087	\$ 1,924,693	\$ 2,485,621
Net (expense)/revenue										
Governmental Activities	\$ (3,912,107)	\$ (4,359,324)	\$ (4,663,590)	\$ (5,556,989)	\$ (3,361,995)	\$ (6,075,199)	\$ (7,040,467)	\$ (6,164,099)	\$ (5,768,383)	\$ (5,804,127)
Business-type activities *	(410,709)	(322,182)	(320,038)	(412,426)	(350,465)	(431,936)	(378,468)	(537,192)	(558,435)	-
Total primary government net expense	\$ (4,322,816)	\$ (4,681,506)	\$ (4,983,628)	\$ (5,969,415)	\$ (3,712,460)	\$ (6,507,135)	\$ (7,418,935)	\$ (6,701,291)	\$ (6,326,818)	\$ (5,804,127)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
City sales tax	\$ 3,791,850	\$ 4,209,664	\$ 4,059,911	\$ 4,791,360	\$ 4,970,113	\$ 4,698,912	\$ 5,284,921	\$ 7,535,705	\$ 7,787,902	\$ 7,698,066
Shared revenues	1,069,298	943,485	1,065,828	1,190,797	1,282,529	1,372,666	1,401,084	1,403,189	1,509,820	1,593,906
Miscellaneous	507,682	97,693	90,876	94,583	169,515	112,584	111,821	115,265	549,890	476,319
Investment income	8,479	6,814	5,130	11,416	5,988	3,496	3,751	6,990	36,732	57,426
Transfers	(43,053)	(323,825)	(320,038)	(412,426)	(350,465)	(342,675)	(993,116)	(537,192)	(558,435)	-
Total governmental activities	\$ 5,334,256	\$ 4,933,831	\$ 4,901,707	\$ 5,675,730	\$ 6,077,680	\$ 5,844,983	\$ 5,808,461	\$ 8,523,957	\$ 9,325,909	\$ 9,825,717
Business-type activities: *										
Other income	\$ -	\$ (1,643)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers	43,053	323,825	320,038	412,426	350,465	342,675	993,116	537,192	558,435	-
Total business-type activities	43,053	322,182	320,038	412,426	350,465	342,675	993,116	537,192	558,435	-
Total primary government	\$ 5,377,309	\$ 5,256,013	\$ 5,221,745	\$ 6,088,156	\$ 6,428,145	\$ 6,187,658	\$ 6,801,577	\$ 9,061,149	\$ 9,884,344	\$ 9,825,717
Change in Net Position										
Governmental activities	\$ 1,422,149	\$ 574,507	\$ 238,117	\$ 118,741	\$ 2,715,685	\$ (230,216)	\$ (1,232,006)	\$ 2,359,858	\$ 3,557,526	\$ 4,021,590
Business-type activities *	(367,656)	-	-	-	-	(89,261)	614,648	-	-	-
Total primary government	\$ 1,054,493	\$ 574,507	\$ 238,117	\$ 118,741	\$ 2,715,685	\$ (319,477)	\$ (617,358)	\$ 2,359,858	\$ 3,557,526	\$ 4,021,590

Source: Statement of Activities
City financial records and reports

* In fiscal year 2019, the business-type activities were combined with the governmental activities.

CITY OF LITCHFIELD PARK, ARIZONA
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(accrual basis of accounting)

	As restated 2010	2011	As restated 2012	As restated 2013	2014	2015	2016	As restated 2017	2018	2019
General fund (1)										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,292	\$ 2,100	\$ 1,300	\$ 3,008
Unreserved	-	-	-	-	-	-	-	-	-	-
Unassigned	-	2,792,493	2,739,259	3,886,091	4,507,252	3,387,179	1,036,608	1,419,057	4,151,232	8,915,705
Total general fund	<u>\$ -</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>	<u>\$ 1,421,157</u>	<u>\$ 4,152,532</u>	<u>\$ 8,918,713</u>
General fund as % of current year revenues¹										
Nonspendable	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.06%	0.02%	0.01%	0.03%
Unreserved	67.74%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Unassigned	0.00%	53.42%	51.03%	61.65%	69.18%	50.98%	14.32%	15.63%	45.72%	82.63%
Total general fund	67.74%	53.42%	51.03%	61.65%	69.18%	50.98%	14.38%	15.65%	45.73%	82.66%
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%	0.04%
Unreserved	89.21%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Unassigned	0.00%	63.76%	59.70%	79.21%	87.46%	61.13%	17.91%	24.65%	72.11%	130.17%
Total general fund	89.21%	63.76%	59.70%	79.21%	87.46%	61.13%	17.91%	24.65%	72.11%	130.21%
All other governmental funds (1)										
Unreserved reported in:										
Special revenue funds	\$ 857,223	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt service	1,581,164	-	-	-	-	-	-	-	-	-
Capital projects funds	334,772	-	-	-	-	-	-	-	-	-
Restricted	-	2,262,936	2,273,027	5,530,008	529,337	635,766	4,135,707	2,204,352	2,508,285	835,535
Committed	-	991,160	1,562,734	1,611,188	2,075,364	1,788,207	191,712	188,159	198,145	193,204
Unassigned	-	(10,291)	(12,050)	(17,907)	(6,757)	(6,506)	(9,692)	(10,586)	(12,513)	(5,929)
Total all other governmental funds	<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>	<u>\$ 2,381,925</u>	<u>\$ 2,693,917</u>	<u>\$ 1,022,810</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)

	As restated 2010	2011	As restated 2012	As restated 2013	As restated 2014	2015	2016	As restated 2017	2018	2019
Revenues										
Taxes	\$ 3,791,850	\$ 4,209,664	\$ 4,059,911	\$ 4,791,360	\$ 4,970,113	\$ 4,698,913	\$ 5,284,927	\$ 7,535,708	\$ 7,787,903	\$ 8,107,791
Special assessments	209,925	198,109	227,222	223,816	209,973	225,696	251,962	274,318	231,966	216,419
Licenses and permits	163,386	244,245	350,009	483,528	362,978	533,136	772,322	652,434	620,784	519,584
Intergovernmental	2,004,245	1,446,015	1,418,204	1,541,913	1,607,888	1,937,316	1,754,397	1,912,527	1,939,926	2,004,947
Charges for services	-	-	-	-	-	-	-	-	-	679,336
Developer contributions	-	145,369	308,068	253,313	169,467	-	-	138,000	-	-
Fines	124,917	128,577	130,745	129,772	114,743	105,686	67,448	47,218	40,970	32,639
Investment earnings	8,479	6,814	5,132	11,416	5,988	3,496	3,751	6,990	36,732	57,426
Miscellaneous	183,682	97,693	90,875	94,583	169,515	112,584	111,821	115,258	549,890	145,338
Total revenues	6,486,484	6,476,486	6,590,166	7,529,701	7,610,665	7,616,827	8,246,628	10,682,453	11,208,171	11,763,480
Expenditures										
General government	1,272,862	1,167,422	1,261,861	1,277,876	1,445,719	1,668,724	1,882,081	1,750,180	1,534,571	1,430,655
Public safety	734,295	1,166,193	1,165,910	1,185,866	1,201,996	1,300,926	1,423,427	1,447,133	1,476,503	1,901,916
Public works	1,889,950	1,866,641	2,070,764	2,357,130	2,346,845	2,301,381	2,415,889	2,371,188	2,465,769	2,290,039
Culture and recreation	-	-	-	-	-	-	-	-	-	1,226,660
Streets	208,004	217,344	130,761	555,022	902,987	1,008,134	1,128,949	909,250	204,207	565,914
Streetlights	200,430	213,300	218,914	225,161	228,599	229,612	232,247	230,378	238,865	236,512
Capital outlay	1,180,663	1,136,179	374,858	215,605	143,186	1,698,915	3,919,917	4,297,881	982,667	646,792
Debt service										
Principal retirement	180,000	190,000	190,000	225,000	4,770,000	260,000	500,000	510,000	525,000	540,000
Interest and fiscal charges	341,838	331,387	330,388	297,787	125,052	107,010	204,722	184,796	178,787	164,062
Cost of issuance	-	-	-	271,418	-	-	87,299	-	-	-
Total expenditures	6,008,042	6,288,466	5,743,456	6,610,865	11,164,384	8,574,702	11,794,531	11,700,806	7,606,369	9,002,550
Excess of revenues over (under) expenditures	\$ 478,442	\$ 188,020	\$ 846,710	\$ 918,836	\$ (3,553,719)	\$ (957,875)	\$ (3,547,903)	\$ (1,018,353)	\$ 3,601,802	\$ 2,760,930
Other financing sources (uses)										
Proceeds from debt obligations	-	-	-	3,940,000	-	-	4,095,000	-	-	-
Transfers in	167,167	1,345,702	711,818	1,091,958	1,303,554	2,125,720	3,085,976	3,176,175	1,460,535	1,885,745
Transfers out	(210,220)	(1,669,527)	(1,031,856)	(1,504,384)	(1,654,019)	(2,468,395)	(4,079,092)	(3,713,367)	(2,018,970)	(1,885,745)
Net change in fund balances	\$ 435,389	\$ (135,805)	\$ 526,672	\$ 4,446,410	\$ (3,904,184)	\$ (1,300,550)	\$ (446,019)	\$ (1,555,545)	\$ 3,043,367	\$ 2,760,930
Debt service as a percentage of non-capital expenditures	10.8%	10.1%	9.7%	8.2%	44.4%	5.3%	8.9%	9.4%	10.6%	7.8%

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)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
City sales taxes ¹	\$3,075,611	\$3,619,867	\$3,448,373	\$4,179,555	\$4,353,904	\$4,074,303	\$4,683,003	\$7,157,123	\$7,392,518	\$7,698,066
Franchise taxes	194,971	213,348	216,729	220,663	229,597	235,880	212,399	66,380	78,327	85,363
Community Facilities District	521,268	376,449	394,809	391,142	386,612	388,730	389,519	312,205	317,058	324,362
Total taxes	<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>	<u>\$7,535,708</u>	<u>\$7,787,903</u>	<u>\$8,107,790</u>

¹ The 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)

	As restated									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
State shared sales tax	\$ 332,289	\$ 352,682	\$ 427,896	\$ 448,221	\$ 476,646	\$ 500,445	\$ 516,869	\$ 508,263	\$ 555,869	606,979
Urban revenue sharing	584,612	440,723	462,178	559,362	610,370	662,904	659,310	676,923	714,174	727,689
HURF revenues	257,612	265,217	274,159	299,809	309,202	339,134	351,811	356,645	376,972	362,255
Auto in-lieu	152,400	150,080	175,754	183,214	195,513	209,317	224,905	218,003	239,777	259,238
LTAF revenues	12,298	-	-	-	-	-	-	-	-	-
Grants revenues	665,035	237,313	78,217	51,307	16,157	225,516	1,502	152,693	53,134	16,903
Total intergovernmental revenue	<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>	<u>\$ 1,912,527</u>	<u>\$ 1,939,926</u>	<u>\$ 1,973,064</u>

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

CITY OF LITCHFIELD PARK, ARIZONA
Assessed and Estimated Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Primary Assessed Value	Net Secondary Assessed Value	Estimated Full-Cash Value	Direct tax rate	Ratio of Net Secondary Assessed Value to Estimated Full-Cash Value
2019	\$ 86,851,234	\$ 110,733,542	\$ 1,067,725,071	2.7013	10.37%
2018	80,863,687	102,638,653	990,246,349	2.7675	10.36%
2017	74,795,341	93,102,965	895,944,934	2.9641	10.39%
2016	67,851,806	82,200,611	800,507,817	3.2688	10.27%
2015	65,061,363	75,470,349	720,020,160	3.7973	10.48%
2014	63,188,186	65,199,227	604,412,223	3.9551	10.79%
2013	62,131,170	62,566,669	568,156,442	4.3158	11.01%
2012	69,669,889	70,298,096	594,617,016	4.3056	11.82%
2011	69,256,684	69,685,098	633,783,919	4.0962	11.00%
2010	85,649,522	89,116,105	798,320,476	3.9108	11.16%

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
2019	\$ 86,851,234	\$ 43,194,326,395	0.20%
2018	80,863,687	40,489,188,615	0.20%
2017	74,795,341	38,236,246,402	0.20%
2016	67,851,806	36,198,108,538	0.19%
2015	65,061,363	34,757,248,273	0.19%
2014	63,188,186	33,493,119,633	0.19%
2013	62,131,170	32,014,409,591	0.19%
2012	69,669,889	34,314,981,298	0.20%
2011	69,256,684	38,513,682,495	0.18%
2010	85,649,522	46,797,410,485	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>2019</u>						
Primary	0	1.8575	1.1565	1.9045	2.0670	6.9855
Secondary	0	0.7176	0.1720	1.8779	1.2628	4.0303
<u>2018</u>						
Primary	0	1.875	1.1708	1.972	2.0309	7.0487
Secondary	0	0.6796	0.2046	1.8779	1.4467	4.2088
<u>2017</u>						
Primary	0	1.8884	1.1956	2.0354	2.4592	7.5786
Secondary	0	0.6701	0.214	1.4409	1.2553	3.5803
<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

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

CITY OF LITCHFIELD PARK, ARIZONA
Overlapping Debt
June 30, 2019

Overlapping Municipality	Secondary Assessed Valuation	Gross Bonded Debt	Proportion Applicable to City of Litchfield Park		
			Percentage ¹	Amount	Per Capita
City of Litchfield Park	\$ 110,733,542	\$ 2,600,000	100%	\$ 2,600,000	\$ 381.85
Total direct and general bonded debt		<u>2,600,000</u>		<u>2,600,000</u>	
Maricopa County	56,292,446,123	131,674,687	0.20%	259,019	38.04
Maricopa County Community College District	56,292,446,123	380,740,000	0.20%	748,958	110.00
Agua Fria Union High School District #216	1,717,845,380	93,570,000	6.45%	6,031,589	885.83
Litchfield Elementary School District #79	1,145,945,891	<u>51,976,307</u>	9.66%	<u>5,022,506</u>	737.63
Total overlapping general bonded debt		<u>657,960,994</u>		<u>12,062,072</u>	
Total overlapping and direct general bonded debt		<u>\$ 660,560,994</u>		<u>\$ 14,662,072</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
2010 - 2019

<u>Governmental Activities</u>								
Fiscal Year Ended June 30,	General Obligation Bonds	Special Assessment Bonds	Total Primary Government	Special Assessment Revenue Collected	Special Assessment Revenue Coverage	Percentage of Actual Taxable Value of Property	Percentage of Median Household Income	Per Capita
2019	\$ 3,390,000	\$ 2,600,000	\$ 5,990,000	\$ 324,361	12.48%	6.90%	1.30%	896
2018	3,630,000	2,885,000	6,515,000	317,058	10.99%	8.06%	1.20%	974
2017	3,865,000	3,160,000	7,025,000	312,205	9.88%	8.71%	1.23%	1,010
2016	4,095,000	3,430,000	7,525,000	389,519	11.36%	10.69%	1.16%	1,172
2015	-	3,690,000	3,690,000	388,730	10.53%	5.67%	2.10%	613
2014	-	3,940,000	3,940,000	386,612	9.81%	6.24%	1.92%	684
2013	-	8,685,000	8,685,000	391,142	4.50%	13.98%	0.87%	1,545
2012	-	4,955,000	4,955,000	394,809	7.97%	7.11%	1.53%	897
2011	-	5,155,000	5,155,000	376,449	7.30%	7.44%	1.55%	941
2010	-	5,345,000	5,345,000	521,268	9.75%	6.24%	1.49%	1,044

CITY OF LITCHFIELD PARK, ARIZONA
Computation of Legal Debt Margin
June 30, 2019

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 2019 secondary assessed valuation, the City had \$22,146,708 borrowing capacity in the 20% category and \$6,644,013 in the 6% category.

City of Litchfield Park, Arizona
General Obligation Bond Incurrence Capacity
As of June 30, 2019

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

Limited Assessed Valuation - 2019	\$ 110,733,542
Allowable 20% Debt	22,146,708
20% Debt Outstanding	-
Available Borrowing Capacity or Debt Margin	\$ 22,146,708

6% Limitation
All Other
General Obligation Bonds

Limited Assessed Valuation - 2019	\$ 110,733,542
Allowable 6% Debt	6,644,013
6% Debt Outstanding	-
Available Borrowing Capacity or Debt Margin	\$ 6,644,013

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>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
20% Limitation										
Debt Limit Equal to the 20% of Assessed Valuation	\$ 17,823,221	\$ 13,937,020	\$ 14,059,619	\$ 12,513,334	\$ 13,039,845	\$ 15,094,070	\$ 16,440,122	\$ 18,620,593	\$ 20,527,731	\$ 22,146,708
Net Debt Applicable to the 20% Limit	-	-	-	-	-	-	-	-	-	-
Legal 20% Debt Margin (Available Borrowing Capacity)	\$ 17,823,221	<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>	<u>\$ 18,620,593</u>	<u>\$ 20,527,731</u>	<u>\$ 22,146,708</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	\$ 5,346,966	\$ 4,181,106	\$ 4,217,886	\$ 3,754,000	\$ 3,911,954	\$ 4,528,221	\$ 4,932,037	\$ 5,586,177	\$ 6,158,319	\$ 6,644,013
Net Debt Applicable to the 6% Limit	-	-	-	-	-	-	-	-	-	-
Legal 6% Debt Margin (Available Borrowing Capacity)	\$ 5,346,966	<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>	<u>\$ 5,586,177</u>	<u>\$ 6,158,319</u>	<u>\$ 6,644,013</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%

Note: Beginning in FY 2015-16, with a voter approved constitutional amendment, both primary and secondary ad valorem taxes are now levied on the Limited Property Values. Prior to FY 2015-16 Secondary Assessed Values were used in the above debt limit calculations. However, Pursuant to Chapter 177, Laws of Arizona 2016, which became effective August 6, 2016, the City's debt limitation is once again based on the full cash net assessed valuation.

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
2019	6,809	1.8%	4.2%	4,366,389	1.7%	4.5%	19,514
2018	6,689	3.7%	3.0%	4,294,460	1.7%	4.2%	18,373
2017	6,452	4.3%	2.1%	4,221,684	2.0%	4.5%	19,427
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

Income Figures

Median household income	\$	77,917
Per capita income	\$	42,282
Below \$10,000		6.4%
Above \$75,000		51.1%

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>
2019	\$ 37,310,330	66	\$ 210,422,821
2018	32,500,929	80	193,347,714
2017	37,559,759	83	158,686,000
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

Source: City departments and records

CITY OF LITCHFIELD PARK, ARIZONA
Employment Statistics
June 30, 2019

Principal employers: Current fiscal year data available and nine years ago

	2019		2010	
	Number of employees	Percent of Total	Number of employees	Percent of Total
The Wigwam Golf Resort & Spa, Golf Club	420	36.3%	440	71.8%
Frys Food Stores	260	22.5%		
Sun Health Foundation	230	19.9%		
Albertsons	90	7.8%		
City of Litchfield Park (incl. seasonal)	82	7.1%	83	13.5%
Litchfield Elementary School	75	6.5%	90	14.7%
Total	1157		613	

Authorized Positions by Function and Department
Last 10 Fiscal Years

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General government										
City Manager	2	2	2	2	2	2	2	2	2	3
City Clerk	4	4	4	4	4	4	4	4	4	4
Budget and Finance	3	3	3	2.5	2.5	2.5	2.5	2.5	2.5	3
Human Resources	1	1	1	1.5	1.5	1.5	1.5	1.5	1.5	2
Building Safety and Code Enforcement	3	3	3	2	2	2	2	2	2	2
Planning Services	1	1	1	1	2	2	2	2	1	1
Court	3	3	3	3	3	3	3	3	3	3
Public Works	17	17	17	20	20	20	20	20	18	18
Recreation and community services										
Recreation Services	49	45	45	37	42	42	42	42	33	35
Total	83	79	79	73	79	79	79	79	67	71

Sources: City departments and records
 Maricopa Association of Governments, Community Profile

CITY OF LITCHFIELD PARK, ARIZONA
Capital Assets by Function Statistics - Unaudited
June 30, 2019

<u>Community and Recreation Services</u>		<u>Highways and Streets</u>	
Community recreation center	1	Miles of streets	40
Swimming pools	1	Miles of pathways	11
Parks	12		
Park acreage	47		
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, 2019

Date of Incorporation

August 3, 1987

Form of Government

Council\Manager

<u>Population/Demographics¹</u>		<u>Public Safety</u>	
2019 Population	6,809	Police protection provided by Maricopa County Sheriffs Department	
Housing Units	2,661	Fire protection provided by the City of Goodyear Fire Department:	
Median household income	\$ 77,917	Number of fire stations	1
Per capita income	\$ 42,282		
<u>City employees as of June 30, 2019</u>		<u>Education</u>	
Full-time	37	Litchfield Elementary School District:	
Part-time (incl. seasonal)	34	Number of elementary/middle schools	15
<u>Annexed area</u>		Number of students	11,550
Square miles	3.3	Agua Fria High School District:	
Miles of streets	40	Number of high schools	5
		Number of students	7,964
		Estrella Mountain Community College	
		Number of students	9,976

¹ Population: <https://population.az.gov/population-estimates>

Source: City departments and records
U.S. Census: American Fact Finder
AZ Department of Education
Maricopa Association of Governments

OTHER COMMUNICATIONS FROM INDEPENDENT AUDITORS



**Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***

The Honorable Mayor and
City Council
Litchfield Park, Arizona

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Litchfield Park, Arizona, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 5, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Litchfield Park, Arizona's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



HintonBurdick, PLLC
Gilbert, Arizona
November 5, 2019



HINTONBURDICK
CPAs & ADVISORS

**Independent Auditors' Report on
State Legal Compliance**

The Honorable Mayor and
City Council
Litchfield Park, Arizona

We have audited the basic financial statements of the City of Litchfield Park, Arizona for the fiscal year ended June 30, 2019, and have issued our report thereon dated November 5, 2019. Our audit also included test work on the City of Litchfield Park's compliance with selected requirements identified in the State of Arizona Revised Statutes and the Arizona State Constitution including, but not limited to, Title 28, Chapter 18, Article 2.

The management of the City of Litchfield Park is responsible for the City's compliance with all requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit; accordingly, we make the following statements:

The City of Litchfield Park has established separate funds to account for Highway User Revenue funds and Local Transportation Assistance funds. Highway user revenue fund monies received by the City of Litchfield Park pursuant to Title 28, Chapter 18, Article 2 and other dedicated state transportation revenues received during the current fiscal year appear to have been used solely for authorized purposes. The funds are administered in accordance with Generally Accepted Accounting Principles. Sources of revenues available and fund balances are reflected in the individual fund financial statements.

Our opinion regarding the City's compliance with annual expenditure limitations has been issued separately with the City's Annual Expenditure Limitation Report.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *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 material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the City of Litchfield Park complied, in all material respects, with the requirements identified above for the fiscal year ended June 30, 2019.

The purpose of this report is solely to describe the scope of our testing of the applicable compliance requirements identified in the Arizona Revised Statutes as noted above and the results of that testing based on the state requirements. Accordingly, this report is not suitable for any other purpose.

HintonBurdick, PLLC
Gilbert, Arizona
November 5, 2019

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