

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2025



TOWN OF CHINO VALLEY, ARIZONA





Annual Comprehensive Financial Report

***For Fiscal Year Ended
June 30, 2025***

Town of Chino Valley, Arizona



Prepared by the Finance Department

**Katie Pehl
Finance Director**



Town of Chino Valley, Arizona

Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2025

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Introductory Section





Finance Department
202 N. State Route 89
Chino Valley, AZ 86323

(928) 636-2646
(928) 636-2144
www.chinoaz.net

December 1, 2025

Honorable Mayor, Town Council, and Citizens of the Town of Chino Valley:

The Annual Comprehensive Financial Report (ACFR) of the Town of Chino Valley, Arizona, for the fiscal year ended June 30, 2025, is hereby submitted. This report has been prepared by the Town's Finance Department in accordance with accounting principles generally accepted in the United States of America (GAAP), as promulgated by the Governmental Accounting Standards Board (GASB).

The report reflects management's representations regarding the financial position and operations of the Town. As such, management assumes full responsibility for the accuracy, completeness, and fairness of all information presented. To support these assertions, the Town has implemented a comprehensive internal control framework. This system is designed to safeguard the Town's assets against loss, theft, or misuse and to provide reliable data for the preparation of the financial statements in accordance with GAAP. However, due to the inherent limitations of internal controls, the system is designed to provide reasonable, not absolute, assurance that the financial statements are free from material misstatement.

The financial statements of the Town of Chino Valley have been audited by Heinfeld, Meech, & Co., P.C., a firm of licensed certified public accountants. The objective of the independent audit is to provide reasonable assurance that the Town's financial statements for the fiscal year ended June 30, 2025, are free from material misstatement. The audit process includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, evaluating the accounting principles used, assessing significant estimates made by management, and reviewing the overall financial statement presentation. Based on their audit, the independent auditors rendered an unmodified opinion, concluding that the Town's financial statements are fairly presented in all material respects in conformity with GAAP. The independent auditors' report is the first item in the financial section of this ACFR.

GAAP also requires that management provide a narrative introduction, overview, and analysis to accompany the financial statements, known as the Management's Discussion and Analysis (MD&A). This letter of transmittal is intended to supplement the MD&A and should be read in conjunction with it. The MD&A follows the independent auditors' report in this document.

REPORTING ENTITY

For the purposes of this financial report, the Town of Chino Valley is classified as a primary government. The Town's governing body, consisting of a Mayor and Town Council, is elected by the citizens in a general election. This report encompasses all organizations and activities over which the elected officials exercise financial oversight and control. The Town does not have any component units. While the Town interacts with and contracts services from various other governmental entities, it is not financially accountable for those entities.

The Town operates under the Council-Manager form of government. In this structure, the Mayor and Town Council are elected by the residents and are responsible for setting policy. A Town Manager, appointed by the

Mayor and Council, serves as the chief operating officer, tasked with implementing the policies and ordinances established by the Town Council and managing the Town's day-to-day operations.

PROFILE OF THE TOWN OF CHINO VALLEY

Chino Valley is centrally located in Yavapai County along State Route 89, at an elevation of 4,700 feet, approximately 90 miles northwest of Phoenix and 15 miles north of Prescott. The Town offers a full range of municipal services, including police protection, street and infrastructure construction and maintenance, as well as recreational and cultural programs. Additionally, the Town operates two enterprise funds that provide water and wastewater services. Other key facilities include a Library, Senior Center, and Aquatic Center.

Incorporated in 1970, Chino Valley traces its name back to 1854, when U.S. Army Cavalry Lt. Amiel W. Whipple observed the abundant grama grass in the area, known in Spanish as "chino." From January to May 1864, the site of the first Territorial Capital of Arizona was located at Del Rio Springs in Chino Valley before being moved to Prescott later that year.

The arrival of the railroad spurred economic activity in Chino Valley, with the establishment of Jerome Junction in 1895. This area became a hub of activity from 1900 until 1925, when it was relocated farther north. Following this, from the 1920s to the late 1940s, many families in Chino Valley turned to farming and ranching. Dairy farming then emerged as a key economic driver during the 1950s and 1960s.

Chino Valley has experienced substantial growth since its early days. Its appeal lies in affordable housing, large tracts of land, and the availability of essential services, which continue to attract residents to the area.

FINANCIAL INFORMATION

Internal Controls

The Town is responsible for establishing and maintaining a system of internal budgetary controls to ensure compliance with the legal requirements of the annual budget adopted by the Town Council.

These internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding two key objectives: (1) safeguarding assets against loss from unauthorized use or disposition, and (2) ensuring the reliability of financial records for the preparation of financial statements and the maintenance of accountability for assets. The concept of reasonable assurance acknowledges that: (1) the cost of a control should not exceed the expected benefits, and (2) the assessment of these costs and benefits involves estimates and judgments by management.

The system of internal controls is regularly evaluated by management and is also reviewed by independent auditors as part of the annual audit of the Town's financial statements. All internal control evaluations are conducted within this framework. The Town's internal accounting controls are deemed sufficient to safeguard assets and provide reasonable assurance regarding the accurate recording of financial transactions.

Budgetary Controls

Like many municipalities in Arizona, the Town of Chino Valley is subject to numerous budgetary and financial restrictions. Article IX, Section 20(1) of the Arizona Constitution imposes limits on the Town's legal budget capacity.

The Town operates under the Home Rule Option, which must be approved by local voters every four years. Home Rule grants the Mayor and Town Council the authority, as part of the annual budget process, to adopt an Alternative Expenditure Limitation. The Local Alternative Expenditure Limitation was adopted in August 2020 and was in effect through June 2025. A new Alternative Expenditure Limitation was adopted in July 2024 and will be in effect through June 2029. This limitation permits total budgeted expenditures and expenses, as outlined in the annual budget, to be approved following a public hearing where citizens of the Town can provide feedback.

For fiscal year 2024-2025, under the Local Alternative Expenditure Limitation, the Town was authorized to adjust the estimated state-imposed expenditure base from \$5,391,769 to \$52,457,308.

The Town legally adopts an operating budget by resolution each fiscal year, covering the general fund, debt service, enterprise funds, and several special revenue funds. In accordance with Arizona Revised Statutes, the Town Manager submits a proposed budget to the Town Council for the fiscal year beginning July 1. After final adoption, the Town Council may approve transfers between budget appropriations for non-exempt funds.

The Town is also subject to the State of Arizona's Spending Limitations Law for Cities and Towns. This law mandates that the Town cannot spend more than the total of its budgeted revenues plus the carry-over of unrestricted cash balances from the prior fiscal year. This limitation applies to the Town's combined funds, and the Town complied with this law during the fiscal year.

Economic Conditions and Outlook

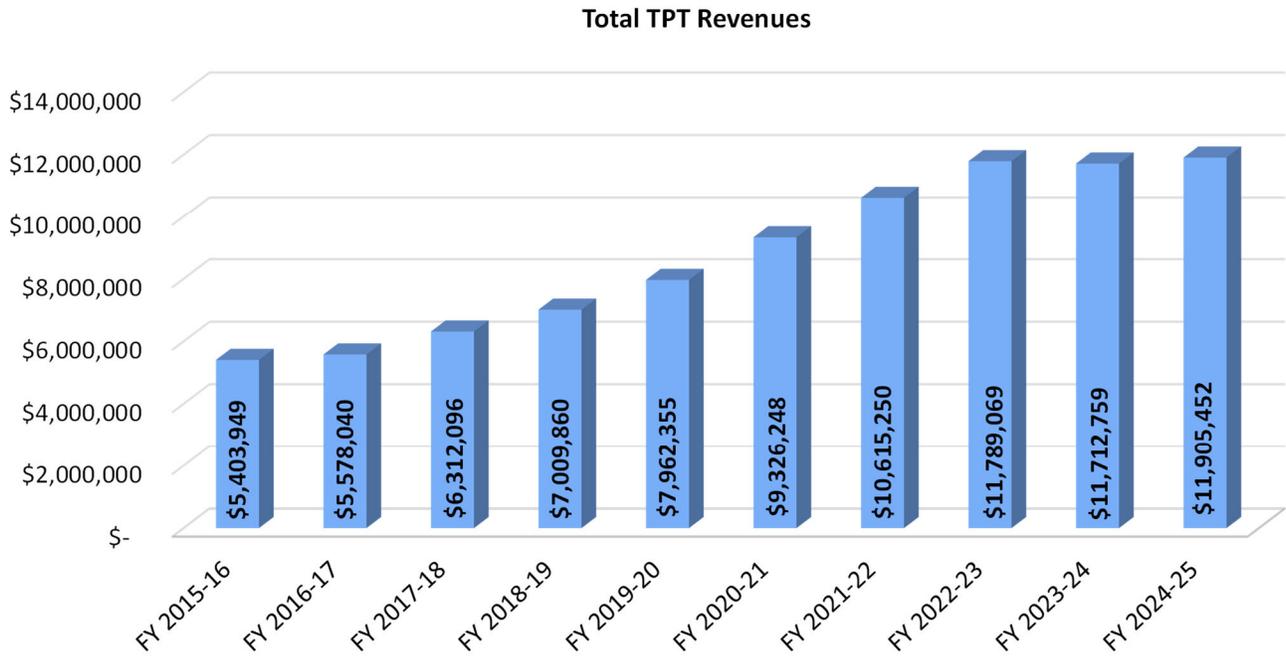
The economy of Chino Valley is supported by a diverse combination of agriculture, manufacturing, commercial, government, and service industries. Local economic indicators point to stability following several challenging years during the economic downturn. In recent fiscal years, the Town has experienced growth in key revenue sources, including local excise taxes, state-shared revenue, state income tax, and highway user revenue. It is important to note that the Town does not levy or collect a property tax.

Chino Valley's population has seen significant growth over the past two decades. In 2000, the population was 7,901, and by 2020, the census recorded 13,020 residents. As of 2025, the estimated population stands at 13,911.

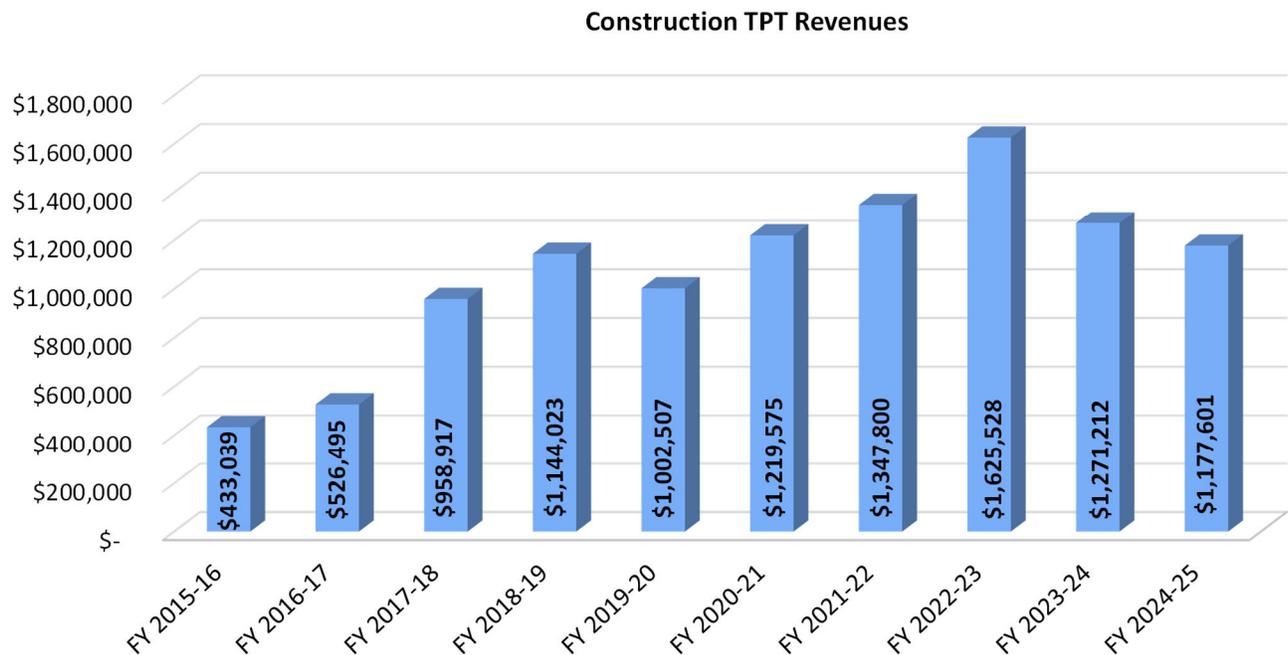
The Town's primary revenue source is the Local Transaction Privilege Tax (TPT), which accounts for 52% of governmental fund revenues. In fiscal year 2014, the Town increased the TPT rate from 3% to 4%, with 3% allocated to the General Fund and 1% directed to the Capital Improvement Fund to support large-scale improvement projects.

The TPT base includes various sectors, such as retail, construction, manufacturing, restaurants/bars, hotels/motels, and the rental of commercial properties, among other taxable activities. Since 2016, the Town's overall TPT collections have shown steady growth.

The slight increase in fiscal year 2024-2025 can be attributed to continued growth in the retail sector, offset by a slight decline in construction-related revenues. The following graph displays total TPT revenues over the last 10 years.



The Town adopts a conservative approach when budgeting for construction-related Transaction Privilege Tax (TPT) each year, recognizing the inherent volatility and the one-time nature of many construction revenues. The graph below illustrates the fluctuations in construction TPT collections from fiscal year 2015-2016 to fiscal year 2024-2025.



LONG-TERM FINANCIAL PLANNING

The Town's proactive approach to emerging economic challenges, coupled with its commitment to careful long-range planning, has been instrumental in maintaining Chino Valley's strong fiscal health. By anticipating potential economic fluctuations and responding with strategic adjustments, the Town has effectively managed its resources to ensure financial stability. This forward-thinking approach not only allows the Town to navigate uncertainties but also positions it to seize opportunities for growth and development, further strengthening its financial foundation.

Effective Use of Resources

The Town of Chino Valley is committed to enhancing the quality of life for its residents by delivering municipal services in the most effective and efficient manner, all while maintaining a strong focus on fiscal responsibility.

During the past year, the Town successfully completed several key capital projects aimed at improving infrastructure and public facilities. These projects include:

- Perkinsville Phase I – comprehensive water, sewer, and road improvements.
- N Road 1 East (Juniper to Perkinsville) – water, sewer, and road upgrades.
- Senior Center Kitchen Remodel – partially funded with federal CDBG funds.
- Del Rio Springs – land purchase of historical Fred Harvey buildings adjoining the State park.
- North Reed Road and Outer Loop Road – road improvements.

The Town has made several necessary improvements to its facilities to enhance service delivery and operational efficiency. These improvements include installing new roofs and HVAC systems on a few Town buildings, completing the installation of the streets modular building, remodeling the old police and detective buildings for Public Works and Human Resources, and continuing the design and engineering process for critical repairs and upgrades at the wastewater treatment plant. While some road repairs were completed this year, the Town recognizes that more extensive roadwork is needed across the community, but available funding remains limited.

These efforts reflect the Town's commitment to making the most of its limited resources, ensuring that key municipal facilities and infrastructure receive attention, even as we continue to seek solutions to address the growing demand for road repairs and other critical infrastructure improvements.

OTHER INFORMATION

Independent Audit

The accounting firm of Heinfeld, Meech, & Co., P.C. was selected by the Town to perform the annual independent audit. The audit was conducted in accordance with generally accepted auditing standards (GAAS) to ensure the accuracy and reliability of the Town's financial statements.

The Town did not meet the threshold for a Single Audit under the prior Uniform Guidance which requires a Single Audit for federal expenditures of \$750,000 or more for fiscal years beginning before October 1, 2024.

Certificate of Achievement

Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Chino Valley for its annual comprehensive financial report for the fiscal year ended June 30, 2024. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive 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 annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

Acknowledgements

The preparation of this Annual Comprehensive Financial Report was made possible through the hard work and dedication of the Finance Department staff, with valuable contributions from all Town departments. I would like to express my sincere appreciation to Town Manager Terri Denemy, Mayor Armstrong, Vice Mayor Granillo, and all members of the Town Council for their leadership and commitment to maintaining the Town's strong financial position and continued fiscal integrity.

Respectfully submitted,



Katie Pehl
Finance Director



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Town of Chino Valley
Arizona**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2024

Christopher P. Morill

Executive Director/CEO

Town of Chino Valley, Arizona



List of Principal Officials

Town Council

Tom Armstrong, Mayor

Eric Granillo, Vice Mayor

Larry Holt, Council Member

John McCafferty, Council Member

Sherri Phillips, Council Member

Bob Schacherer, Council Member

Robert Switzer, Council Member

Town Manager

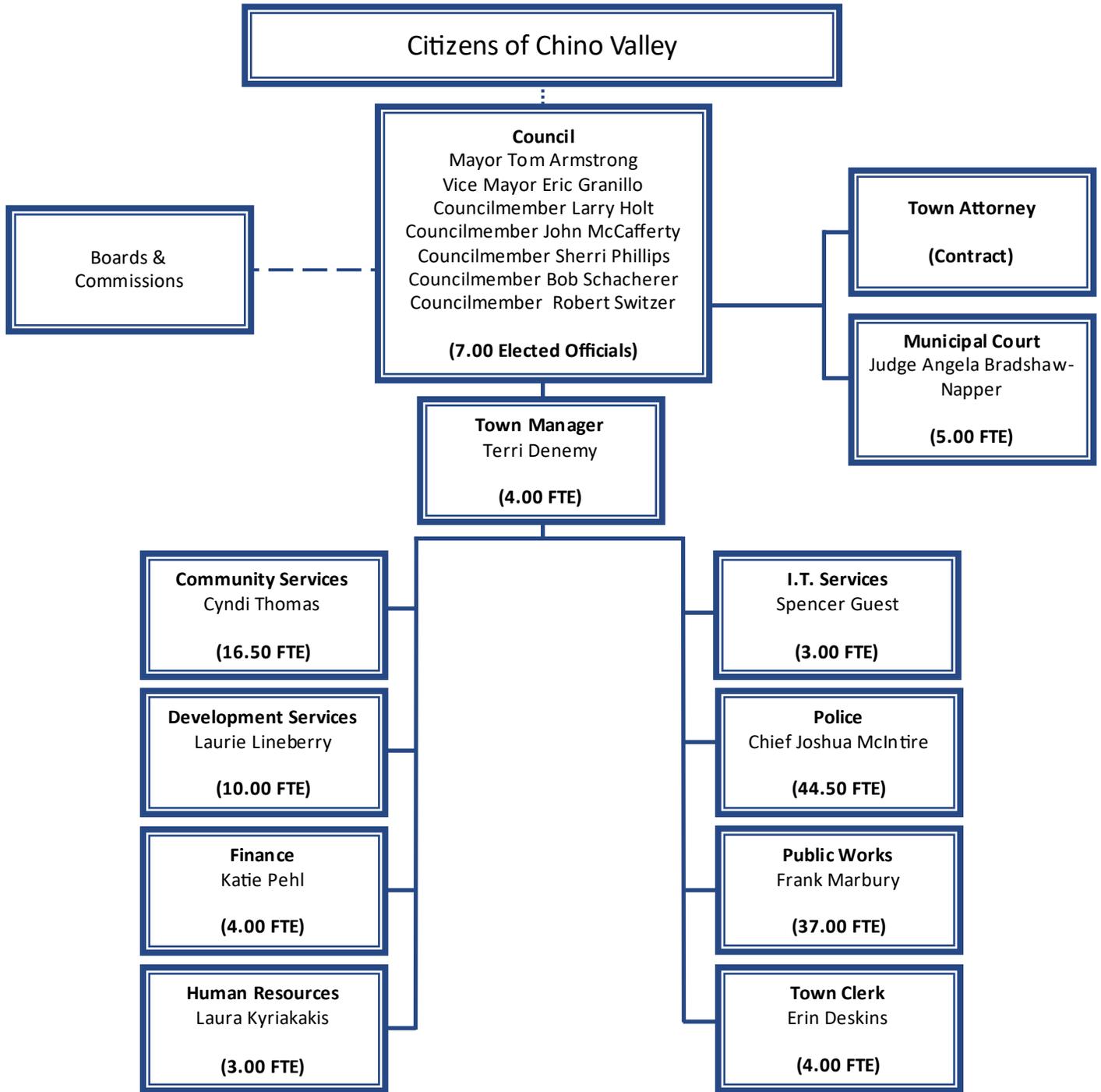
Terri Denemy

Finance Director

Katie Pehl

Town Organization Chart

For Fiscal Year Ended June 30, 2025



Legend:

- Direct supervisory authority
- Elected
- Appointed



Financial Section



Independent Auditor's Report

Honorable Mayor and Members of the Town Council
Town of Chino Valley, Arizona

Report on Audit of Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Chino Valley, Arizona (Town), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Chino Valley, Arizona, as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Town of Chino Valley, Arizona, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As described in Note 1 to the financial statements, the Town implemented the provisions of GASB Statement No. 101, *Compensated Absences*, for the year ended June 30, 2025. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for one year beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements. In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Town's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, and net pension liability information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The Combining and Individual Fund Financial Statements and Schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates 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 Fund Financial Statements and Schedules information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Introductory Section and Statistical Section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on other work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2025, on our consideration of Town of Chino Valley, 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 solely 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 the effectiveness of the Town of Chino Valley, Arizona's 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 Town of Chino Valley, Arizona's internal control over financial reporting and compliance.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Flagstaff, Arizona
December 1, 2025



Financial Section

Management's Discussion and Analysis



Town of Chino Valley, Arizona

Management's Discussion and Analysis
June 30, 2025

As management of the Town of Chino Valley, Arizona (the Town) we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2025. 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 on page 3 of this report.

Financial Analysis

- Total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources (net position) by \$51,927,336 at the close of the fiscal year.
- Governmental taxes and other governmental revenues exceeded expenses, including transfers by \$1,233,973.
- Business-type revenues exceeded total business-type expenses, including transfers by \$1,733,782.
- Total revenues from all sources were \$26.2 million.
- The total cost of all Town programs was \$23.2 million.
- The General Fund reported a surplus of revenue over expenditures and transfers of \$144,575.
- At the end of the current fiscal year, the fund balance for the General Fund was \$10.1 million or 60% of total General Fund expenditures, excluding transfers.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements and (3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support 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 Town's finances, in a manner similar to a private-sector business. The *statement of net position* presents financial information on all of the Town's assets, liabilities and deferred inflows/outflows of resources, with the difference 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 Town is improving or deteriorating.

The *statement of activities* presents information showing how the Town's net position changed during the most recent fiscal year. All changes in 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 for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user

fees and charges (*business-type activities*). The governmental activities of the Town include general government, public safety, streets, culture and recreation and health and welfare. The business-type activities of the Town include water and sewer.

The government-wide financial statements can be found on pages 31-33 of this report.

Fund Financial Statements

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

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

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

The Town maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General fund, Highway user revenue fund, Grant fund, Debt service fund, and Capital improvement fund, which are considered to be major funds. Data from the other two governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The Town adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 36-42 of this report.

Proprietary Funds - The Town maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses enterprise funds to account for water and sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water fund and sewer fund, both of which are considered to be major funds of the Town. The basic proprietary fund financial statements can be found on pages 45-48.

Town of Chino Valley, Arizona

Management's Discussion and Analysis

June 30, 2025

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. The Town did not have any fiduciary funds to report at year end.

Notes to the Financial Statements

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 51-82 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the Town's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 90-97 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and nonmajor governmental fund budgetary schedules are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 101-102 of this report.

Government-Wide Financial Analysis

- Net position may serve over time as a useful indicator of the Town's financial position. Total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by \$51.9 million at the close of June 30, 2025 as shown in the following condensed statement of net position. The Town has chosen to account for its water and sewer operations in an enterprise fund which is shown as Business Activities.

	Governmental Activities		Business-type Activities		Total Government	
	2025	2024	2025	2024	2025	2024
Current and other assets	\$ 18,475,543	\$ 21,140,717	\$ 1,005,295	\$ 316,049	\$ 19,480,838	\$ 21,456,766
Capital assets	37,656,103	35,639,934	24,209,022	24,323,346	61,865,125	59,963,280
Total assets	56,131,646	56,780,651	25,214,317	24,639,395	81,345,963	81,420,046
Deferred outflows of resources	3,481,507	4,346,289	101,591	93,070	3,583,098	4,439,359
Long-term liabilities outstanding	19,373,112	22,733,603	6,399,132	7,965,500	25,772,244	30,699,103
Other liabilities	2,737,846	2,105,867	3,469,463	3,058,152	6,207,309	5,164,019
Total liabilities	22,110,958	24,839,470	9,868,595	11,023,652	31,979,553	35,863,122
Deferred inflows of resources	982,257	842,189	39,915	24,796	1,022,172	866,985
Net position:						
Net investment in capital assets	25,137,425	21,370,222	17,597,106	16,970,838	42,734,531	38,341,060
Restricted	4,977,588	5,560,431	1,053,187	1,005,585	6,030,775	6,566,016
Unrestricted	6,404,925	8,514,628	(3,242,895)	(4,292,406)	3,162,030	4,222,222
Total net position	\$ 36,519,938	\$ 35,445,281	\$ 15,407,398	\$ 13,684,017	\$ 51,927,336	\$ 49,129,298

Governmental Activities

The cost of all Governmental activities, excluding transfers, this year was \$19,737,355, which is 9% higher than last fiscal year. As shown on the Statement of Changes in Net Position below, \$2,061,703 was paid for by those who directly benefited from the programs; \$1,326,067 was subsidized by grants

Town of Chino Valley, Arizona

Management's Discussion and Analysis

June 30, 2025

and contributions received from other governmental organizations and individuals for both capital and operating activities. Overall governmental program revenues, including intergovernmental aid, donations and fees for services were \$3,387,770. General taxes and investment earnings totaled \$19,316,692.

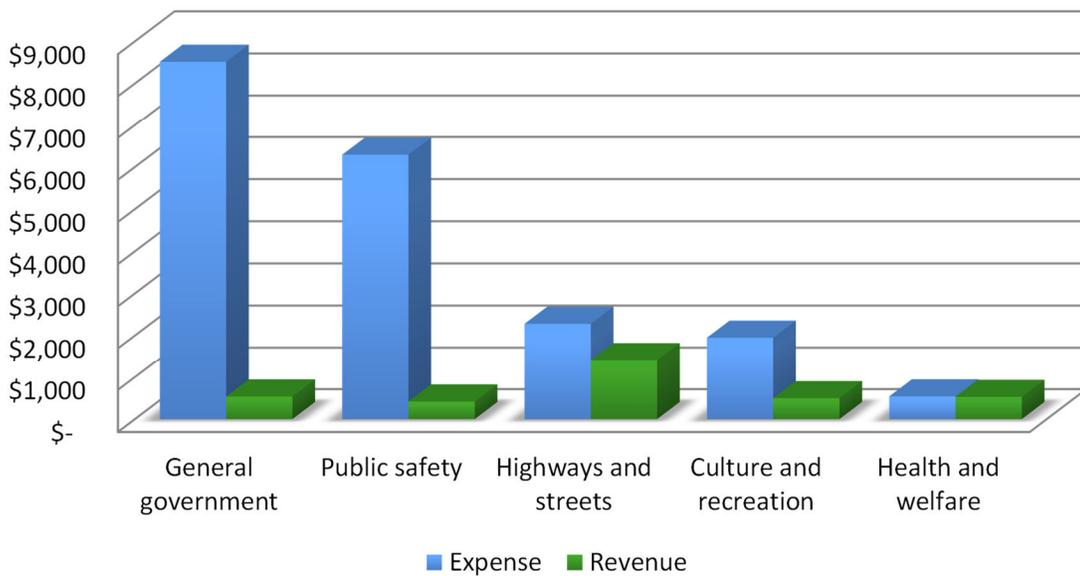
The Town's programs include General Government, Public Safety, Highways and Streets, Culture and Recreation, Health and Welfare, Water and Sewer Services. Each program's net cost (total cost less revenues generated by the activities) is presented below. The net cost shows the extent to which the Town's general taxes support each of the Town's programs.

Total resources available during the year to finance governmental operations were \$58.0 million, consisting of restated net position at July 1, 2024 of \$35.3 million, program revenues of \$3.4 million and General Revenues of \$19.3 million. Total Governmental Activities during the year were \$21.5 million; thus, Governmental Net Position increased by \$1.2 million to \$36.5 million. Operating and capital grants and contributions increased 31% during the year while tax revenues only increased 2%.

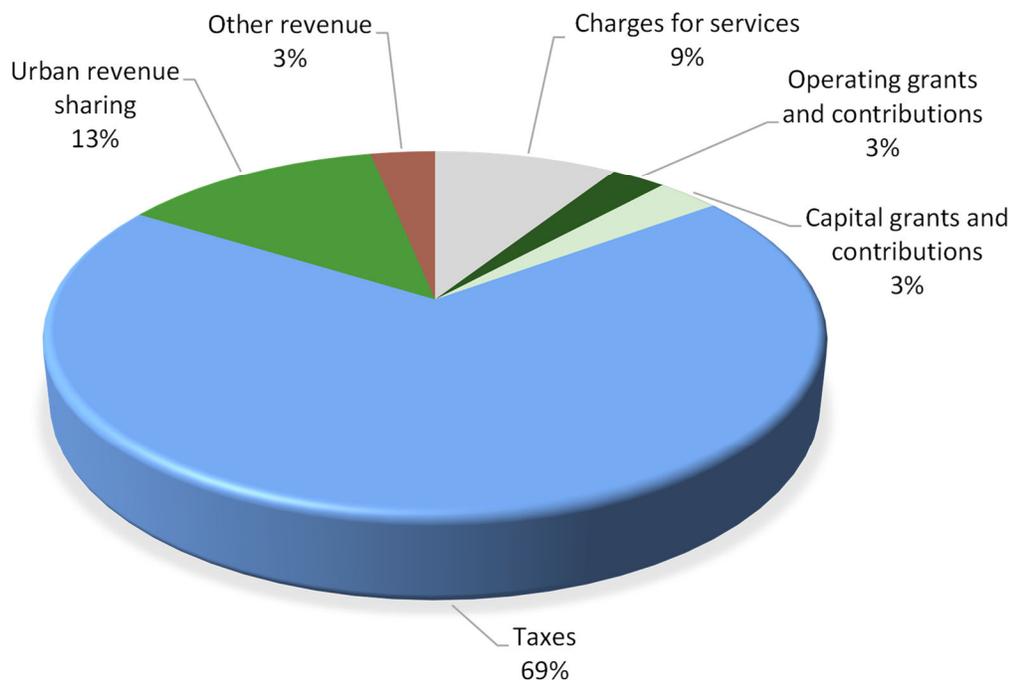
	Governmental Activities		Business-type Activities		Total Government	
	2025	2024	2025	2024	2025	2024
Revenues:						
Program revenues:						
Charges for services	\$ 2,061,703	\$ 2,150,971	\$ 2,832,344	\$ 2,548,745	\$ 4,894,047	\$ 4,699,716
Operating grants and contributions	615,331	970,445	-	15,216	615,331	985,661
Capital grants and contributions	710,736	40,215	595,138	287,126	1,305,874	327,341
General revenues:						
Taxes	15,653,652	15,284,920	-	-	15,653,652	15,284,920
Urban revenue sharing	2,938,837	3,622,169	-	-	2,938,837	3,622,169
Other revenue/(expense)	724,203	1,197,927	47,601	82,545	771,804	1,280,472
Total revenues	<u>22,704,462</u>	<u>23,266,647</u>	<u>3,475,083</u>	<u>2,933,632</u>	<u>26,179,545</u>	<u>26,200,279</u>
Expenses:						
General government	8,482,376	9,934,621	-	-	8,482,376	9,934,621
Public safety	6,285,318	4,595,250	-	-	6,285,318	4,595,250
Highways and streets	2,275,324	666,858	-	-	2,275,324	666,858
Culture and recreation	1,942,800	2,160,834	-	-	1,942,800	2,160,834
Health and welfare	536,652	238,116	-	-	536,652	238,116
Interest on long-term debt	214,885	463,615	-	-	214,885	463,615
Water	-	-	997,783	1,064,338	997,783	1,064,338
Sewer	-	-	2,476,652	2,708,822	2,476,652	2,708,822
Total expenses	<u>19,737,355</u>	<u>18,059,294</u>	<u>3,474,435</u>	<u>3,773,160</u>	<u>23,211,790</u>	<u>21,832,454</u>
Increase / (decrease) in net position before special items and transfers	2,967,107	5,207,353	648	(839,528)	2,967,755	4,367,825
Transfers in (out)	(1,733,134)	(985,000)	1,733,134	985,000	-	-
Change in net position	1,233,973	4,222,353	1,733,782	145,472	2,967,755	4,367,825
Net position, beginning	35,445,281	31,222,928	13,684,017	13,538,545	49,129,298	44,761,473
Restatement	(159,316)	-	(10,401)	-	(169,717)	-
Net position, beginning - restated	35,285,965	31,222,928	13,673,616	13,538,545	48,959,581	44,761,473
Ending net position	<u>\$36,519,938</u>	<u>\$35,445,281</u>	<u>\$15,407,398</u>	<u>\$13,684,017</u>	<u>\$51,927,336</u>	<u>\$49,129,298</u>

The following graphs compare program expenses to program revenues and provide a breakdown of revenues by source for all governmental activities.

**Expense and Program Revenues - Governmental Activities
(in Thousands)**



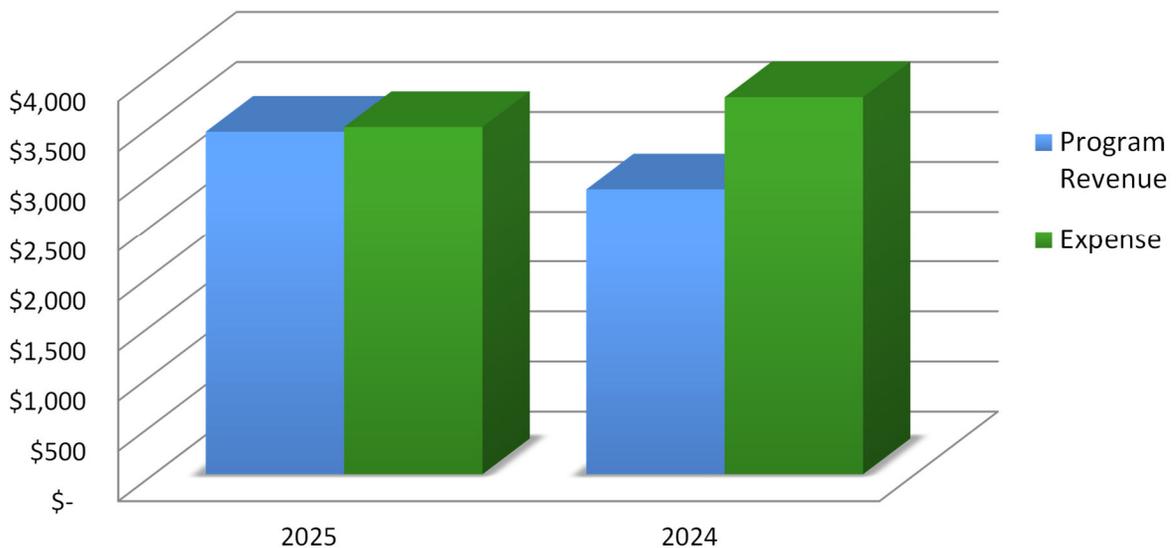
Revenue by Source - Governmental Activities



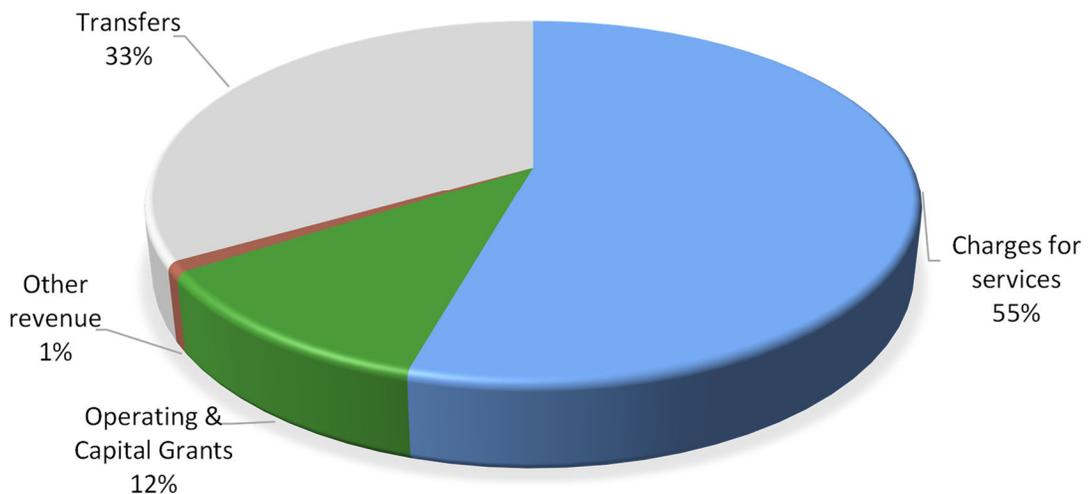
Business-Type Activities

Net position of the Business-Type activities at June 30, 2025, as reflected in the Statement of Net Position was \$15.4 million. The cost of providing all Proprietary (Business-Type) activities this year was \$3.5 million. As shown in the statement of Changes in Net Position, the amounts paid by users of the system were \$2.8 million and there was \$595,138 subsidized by grants received from other governmental organizations for both capital and operating activities. User service fees for both funds remained consistent with water fees and sewer fees increasing slightly due to the rate adjustments that were approved in December 2023. Interest earnings and other revenues were \$47,601. The Net Position increased by \$1,733,782.

**Expenses and Program Revenues - Business-type Activities
(in Thousands)**



Revenue by Source - Business-type Activities



Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$16,674,289 a decrease of \$1,930,671 in comparison with the prior year. Approximately 56% of this total amount, \$9,290,147 constitutes unassigned fund balance, which is available for new spending at the government's discretion. The remainder of the fund balance is restricted or assigned (1) to pay debt service, (2) to pay for capital improvements or (3) for a variety of other restricted purposes.

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, the unassigned fund balance in the general fund was \$9,290,147 while total fund balance is \$10,130,067. As a measure of liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 55% of total general fund expenditures, while total fund balance represents 60% of the same amount.

During the year, the Town's General Fund balance increased by \$144,575. This increase was primarily driven by decreased transfers to the Highway User Revenue Fund offset by reduced intergovernmental revenues.

The Grant fund balance increased by \$157,236. The key factor in this increase was the increased receipt of unrestricted funds such as Smart and Safe funds and donations.

The Highway User Revenue fund decreased \$783,592, due to greater investment in one-time road improvement projects.

The Debt Service fund decreased \$485,501, due to slight differences between transfers in, interest income, and debt service payments.

The Capital Improvements Fund decreased by \$963,587, primarily due to the completion of several larger capital projects.

The nonmajor funds of the Town consist of the Street Lighting Improvement District fund which is restricted for the specific purpose of providing lighting in three districts and the Maintenance Improvement District fund which is restricted for the specific purpose of landscaping maintenance of drainage areas in the Del Sol subdivision.

Proprietary Funds - The proprietary fund financial statements are prepared on the same accounting basis and measurement focus as the government-wide financial statements but provide additional detail since each major enterprise fund is shown directly on the fund statements. Net position of the proprietary funds was \$15.4 million as of June 30, 2025. Operating revenues in fiscal year 2025

Town of Chino Valley, Arizona

Management's Discussion and Analysis
June 30, 2025

were \$942,094 for water and \$1,890,250 for sewer while operating expenses were \$993,986 for water and \$2,336,703 for sewer, resulting in operating loss of \$51,892 for water and an operating loss of \$446,453 for sewer. The water and sewer operating expenses increased from the prior year mainly due to increased maintenance and repair costs. The sewer net operating loss was partially offset by buy-in and connection fees.

General Fund Budgetary Highlights

Actual expenditures, excluding transfers, for the General Fund at year-end were \$3,493,808 less than final appropriations. The budget to actual variance in appropriations was principally due to continued reductions in general government expenses including capital asset replacement and nondepartmental expenses that were less than anticipated and the preservation of the remaining contingencies and reserves budgets.

Capital Asset and Debt Administration

Capital Assets

The capital assets of the Town are those assets that are used in performance of Town functions including infrastructure assets. Capital Assets include equipment, buildings, land, park facilities and roads. At the end of fiscal year 2025, net capital assets of the government activities totaled \$37.7 million and the net capital assets of the business-type activities totaled \$24.2 million. Depreciation on capital assets is recognized in the Government-Wide financial statements. (See Note 4 to the financial statements).

Debt

At year-end, the Town had \$20.7 million in governmental type debt and \$7.2 million in proprietary debt. The debt is a liability of the government and amounts to \$2,010 per capita. There is more detailed information on long-term debt activity of the Town in the notes to the financial statements. (See Note 6 to the financial statements).

Next Year's Budget and Economic Factors

In building the Town Budget for fiscal year 2025-2026, the Town Council and management considered the slight increase in state shared revenues and the adopted utility rate increases and established expenditure budgets accordingly.

Chino Valley's continues to see interest in the areas of housing and commercial development, suggesting the local economy continues to grow, but at a slower pace than previously experienced. The Town anticipates minimal revenue increases in most areas and continues to proactively review expenses for potential savings.

Contacting the Town's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town of Chino Valley, Arizona, Finance Department, 202 N. State Route 89, Chino Valley, Arizona 86323. You can also call 928-636-2646 or visit our website at www.chinoaz.net.

Financial Section

Basic Financial Statements

Government-Wide Financial Statements - Include the Statement of Net Position and Statement of Activities and use the accrual basis of accounting for financial reporting.

Governmental Funds Financial Statements - Include the Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance for the major governmental funds that use the modified accrual basis of reporting. Also includes the reconciliations to the government-wide financial statements and the Budget and Actual statements for the General Fund and all major Special Revenue Funds.

Proprietary Funds Financial Statements - Include the Statement of Net Position, Statement of Revenues, Expenses and Changes in Fund Net Position and Statement of Cash Flows for the business-type activities that use the accrual basis of accounting for financial reporting.

Notes to the Financial Statements



Town of Chino Valley, Arizona

Statement of Net Position

June 30, 2025

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 14,380,779	\$ 1,064,375	\$ 15,445,154
Receivables (net of allowances)	1,661,610	235,855	1,897,465
Leases receivable	455,841	-	455,841
Internal balances	1,348,122	(1,348,122)	-
Prepaid items	54,615	-	54,615
Restricted cash and cash equivalents	574,576	1,053,187	1,627,763
Capital assets:			
Not being depreciated/amortized	2,918,698	5,002,674	7,921,372
Being depreciated/amortized (net)	34,737,405	19,206,348	53,943,753
Total assets	56,131,646	25,214,317	81,345,963
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding	197,951	-	197,951
Deferred outflows of resources related to pensions	3,283,556	101,591	3,385,147
Total deferred outflows of resources	3,481,507	101,591	3,583,098
LIABILITIES			
Accounts payable and other current liabilities	527,684	26,043	553,727
Accounts payable - construction	220,527	38,834	259,361
Accrued wages and benefits	388,487	15,086	403,573
Interest payable	241,881	74,068	315,949
Unearned revenue	2,895	2,390,949	2,393,844
Customer deposits	428	89,795	90,223
Noncurrent liabilities:			
Due within one year:			
Compensated absences	527,000	53,000	580,000
Loans/developer agreements payable	-	760,632	760,632
Bonds payable	828,944	21,056	850,000
Due in more than one year:			
Compensated absences	321,425	24,267	345,692
Loans/developer agreements payable	-	5,622,337	5,622,337
Bonds payable	11,667,158	169,057	11,836,215
Net pension liability	7,384,529	583,471	7,968,000
Total liabilities	22,110,958	9,868,595	31,979,553
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	562,905	39,915	602,820
Deferred inflows related to leases	419,352	-	419,352
Total deferred inflows of resources	982,257	39,915	1,022,172
NET POSITION			
Net investment in capital assets	25,137,425	17,597,106	42,734,531
Restricted for:			
Highways and streets	4,074,443	-	4,074,443
Debt service	-	1,053,187	1,053,187
Culture and recreation	34,740	-	34,740
Health and welfare	120	-	120
Public safety	868,285	-	868,285
Unrestricted (deficit)	6,404,925	(3,242,895)	3,162,030
Total net position	\$ 36,519,938	\$ 15,407,398	\$ 51,927,336

The notes to the financial statements are an integral part of this statement.

Town of Chino Valley, Arizona

Statement of Activities

For the Year Ended June 30, 2025

Function/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary government:			
Governmental activities:			
General government	\$ 8,482,376	\$ 533,119	\$ 2,202
Public safety	6,285,318	35,917	369,831
Highways and streets	2,275,324	1,392,664	19,655
Culture and recreation	1,942,800	99,770	76,523
Health and welfare	536,652	233	147,120
Interest on long-term debt	214,885	-	-
Total governmental activities	19,737,355	2,061,703	615,331
Business-type activities:			
Water	997,783	942,094	-
Sewer	2,476,652	1,890,250	-
Total business-type activities	3,474,435	2,832,344	-
Total primary government	\$ 23,211,790	\$ 4,894,047	\$ 615,331

General revenues:

Taxes:

Transaction privilege taxes

Franchise taxes

Property taxes

Auto-in-lieu (unrestricted)

State-shared transaction privilege taxes (unrestricted)

Urban revenue sharing (unrestricted)

Unrestricted investment earnings

Gain on disposal of capital assets

Miscellaneous

Transfers in (out)

Total general revenues

Change in net position

Total net position - as previously reported

GASB 101 implementation adjustment

Net position - beginning, as restated

Net position - ending

Capital Grants and Contributions	Primary Government		
	Governmental Activities	Business-Type Activities	Total
\$ -	\$ (7,947,055)	\$ -	\$ (7,947,055)
12,164	(5,867,406)	-	(5,867,406)
-	(863,005)	-	(863,005)
320,000	(1,446,507)	-	(1,446,507)
378,572	(10,727)	-	(10,727)
-	(214,885)	-	(214,885)
<u>710,736</u>	<u>(16,349,585)</u>	<u>-</u>	<u>(16,349,585)</u>
198,737	-	143,048	143,048
396,401	-	(190,001)	(190,001)
<u>595,138</u>	<u>-</u>	<u>(46,953)</u>	<u>(46,953)</u>
<u>\$ 1,305,874</u>	<u>(16,349,585)</u>	<u>(46,953)</u>	<u>(16,396,538)</u>
	11,905,452	-	11,905,452
	433,664	-	433,664
	4,836	-	4,836
	1,189,453	-	1,189,453
	2,120,247	-	2,120,247
	2,938,837	-	2,938,837
	594,293	47,601	641,894
	44,784	-	44,784
	85,126	-	85,126
	(1,733,134)	1,733,134	-
	<u>17,583,558</u>	<u>1,780,735</u>	<u>19,364,293</u>
	1,233,973	1,733,782	2,967,755
	35,445,281	13,684,017	49,129,298
	(159,316)	(10,401)	(169,717)
	35,285,965	13,673,616	48,959,581
	<u>\$ 36,519,938</u>	<u>\$ 15,407,398</u>	<u>\$ 51,927,336</u>

The notes to the financial statements are an integral part of this statement.



Financial Section

Government Funds Financial Statements Major Funds

General Fund - This fund is the general operating fund of the Town. It accounts for all financial resources of the Town, except those required to be accounted for in other funds.

Highway User Revenue Fund (HURF) - This fund accounts for the Town's share of Arizona's highway user tax revenues and associated expenditures legally restricted for road construction and maintenance.

Grants Fund - This fund accounts for miscellaneous federal and state grants and other contributions that are restricted for specific use.

Debt Service Fund - This fund accounts for the accumulation of resources for, and the payment of current and future debt service requirements for governmental debt principal and interest.

Capital Improvement Fund - This fund accounts for transaction privilege tax revenues and bond proceeds used for the acquisition and construction of major capital facilities and other internally designated purposes.

Nonmajor Funds - Other governmental funds are the nonmajor funds and are special revenue, debt service and capital project funds.

Town of Chino Valley, Arizona

Balance Sheet

Governmental Funds

June 30, 2025

	General Fund	Highway Users Revenue Fund	Grant Fund	Debt Service Fund
ASSETS				
Cash and investments	\$ 7,983,778	\$ 4,006,759	\$ 529,921	\$ -
Restricted cash and investments	332,695	-	-	241,881
Receivables:				
Accounts receivable	114,574	189	42,007	-
Intergovernmental	1,080,728	137,198	-	-
Leases receivable	455,841	-	-	-
Due from other funds	1,348,122	-	-	-
Prepaid items	54,615	-	-	-
Total assets	<u>\$ 11,370,353</u>	<u>\$ 4,144,146</u>	<u>\$ 571,928</u>	<u>\$ 241,881</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 343,602	\$ 54,909	\$ 1,368	\$ -
Court bonds	3,050	-	-	-
Accrued liabilities	100,885	-	-	-
Accrued wages and benefits	372,969	15,518	-	-
Interest payable	-	-	-	241,881
Customer deposits	428	-	-	-
Unearned revenue	-	-	2,895	-
Total liabilities	<u>820,934</u>	<u>70,427</u>	<u>4,263</u>	<u>241,881</u>
Deferred inflows of resources:				
Deferred inflow related to leases	419,352	-	-	-
Total deferred inflows of resources	<u>419,352</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Nonspendable:				
Prepaid items	54,615	-	-	-
Restricted:				
Highways and streets	-	4,073,719	-	-
Debt service	-	-	-	-
Culture and recreation	-	-	34,740	-
Health and welfare	-	-	120	-
Public safety	335,480	-	532,805	-
Assigned:				
Capital improvements	449,825	-	-	-
Unassigned	9,290,147	-	-	-
Total fund balances	<u>10,130,067</u>	<u>4,073,719</u>	<u>567,665</u>	<u>-</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 11,370,353</u>	<u>\$ 4,144,146</u>	<u>\$ 571,928</u>	<u>\$ 241,881</u>

The notes to the financial statements are an integral part of this statement.

Capital Improvement Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
\$ 1,859,654	\$ 667	\$ 14,380,779
-	-	574,576
-	158	156,928
286,756	-	1,504,682
-	-	455,841
-	-	1,348,122
-	-	54,615
<u>\$ 2,146,410</u>	<u>\$ 825</u>	<u>\$ 18,475,543</u>

\$ 244,296	\$ 101	\$ 644,276
-	-	3,050
-	-	100,885
-	-	388,487
-	-	241,881
-	-	428
-	-	2,895
<u>244,296</u>	<u>101</u>	<u>1,381,902</u>

-	-	419,352
-	-	419,352

-	-	54,615
-	724	4,074,443
-	-	-
-	-	34,740
-	-	120
-	-	868,285
1,902,114	-	2,351,939
-	-	9,290,147
<u>1,902,114</u>	<u>724</u>	<u>16,674,289</u>
<u>\$ 2,146,410</u>	<u>\$ 825</u>	<u>\$ 18,475,543</u>



Town of Chino Valley, Arizona
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
Governmental Activities
June 30, 2025

Fund balances - total governmental funds balance sheet \$ 16,674,289

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 governmental funds.

Governmental capital assets	57,234,599	
Less: accumulated depreciation	<u>(19,578,496)</u>	37,656,103

Long-term liabilities, such as net pension liabilities, bonds payable, finance purchase payable, SBITA payable, lease payable, and compensated absences are not due and payable in the current period and therefore are not reported in the governmental funds.

Bonds payable	(10,816,233)	
Bond premiums	(1,679,869)	
Net pension liability	(7,384,529)	
Compensated absences	<u>(848,425)</u>	(20,729,056)

Deferred outflows and inflows of resources related to pensions and deferred charges or credits on debt refunding are applicable to future reporting periods and therefore are not reported in the funds.

Deferred charges on refunding	197,951	
Deferred outflows of resources related to pensions	3,283,556	
Deferred inflows of resources related to pensions	<u>(562,905)</u>	2,918,602

Net position of governmental activities - statement of net position \$ 36,519,938

The notes to the financial statements are an integral part of this statement.

Town of Chino Valley, Arizona

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2025

	General Fund	Highway User Revenue Fund	Grant Fund	Debt Service Fund
REVENUES				
Taxes - local	\$ 9,362,753	\$ -	\$ -	\$ -
Taxes - property	-	-	-	-
Intergovernmental revenues	6,404,876	1,379,698	744,385	-
Licenses, permits, and fees	288,560	12,966	-	-
Charges for services	152,655	-	-	-
Fines and forfeitures	227,824	-	-	-
Interest earnings	572,119	21,166	-	1,008
Other	85,126	-	105,343	-
Total revenues	17,093,913	1,413,830	849,728	1,008
EXPENDITURES				
Current:				
General government	7,533,255	-	1,202	-
Public safety	5,714,912	-	163,865	-
Culture and recreation	1,657,208	-	1,563	-
Highways and streets	-	1,015,610	-	-
Health and welfare	375,685	-	134,376	-
Debt service:				
Principal	-	-	-	779,728
Interest and fiscal charges	-	-	-	484,762
Capital outlay	1,707,087	2,187,787	391,486	-
Total expenditures	16,988,147	3,203,397	692,492	1,264,490
Excess (deficiency) of revenues over expenditures	105,766	(1,789,567)	157,236	(1,263,482)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	1,000,000	-	777,981
Transfers out	-	-	-	-
Sale of capital assets	38,809	5,975	-	-
Total other financing sources and uses	38,809	1,005,975	-	777,981
Net change in fund balances	144,575	(783,592)	157,236	(485,501)
Fund balances - beginning	9,985,492	4,857,311	410,429	485,501
Fund balances - ending	\$ 10,130,067	\$ 4,073,719	\$ 567,665	\$ -

The notes to the financial statements are an integral part of this statement.

Capital Improvement Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
\$ 2,976,363	\$ -	\$ 12,339,116
-	4,836	4,836
-	-	8,528,959
-	-	301,526
-	-	152,655
-	-	227,824
-	-	594,293
-	-	190,469
<u>2,976,363</u>	<u>4,836</u>	<u>22,339,678</u>
-	-	7,534,457
-	-	5,878,777
-	-	1,658,771
-	4,638	1,020,248
-	-	510,061
-	-	779,728
-	-	484,762
<u>1,541,969</u>	<u>-</u>	<u>5,828,329</u>
<u>1,541,969</u>	<u>4,638</u>	<u>23,695,133</u>
<u>1,434,394</u>	<u>198</u>	<u>(1,355,455)</u>
-	-	1,777,981
(2,397,981)	-	(2,397,981)
-	-	44,784
<u>(2,397,981)</u>	<u>-</u>	<u>(575,216)</u>
(963,587)	198	(1,930,671)
2,865,701	526	18,604,960
<u>\$ 1,902,114</u>	<u>\$ 724</u>	<u>\$ 16,674,289</u>

Town of Chino Valley, Arizona

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities

For the Year Ended June 30, 2025

Net change in fund balances - total governmental funds	\$	(1,930,671)
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Amounts reported for governmental activities in the statements of activities are different because:

Government funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation or amortization expense.

Expenditures for capital assets	5,828,329	
Less amount not capitalized	(909,412)	
Less disposals of assets	(2,251)	
Less capital assets provided to proprietary funds	(1,113,134)	
Less current year depreciation	<u>(2,107,363)</u>	1,696,169

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. In the current period, these amounts are:

Principal payments on debt	779,728	
Amortization of bond discount/premium	302,869	
Amortization of deferred charge/credit on bond refunding	<u>(32,992)</u>	1,049,605

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

Pension contributions	1,846,130	
Pension expense	<u>(1,686,755)</u>	159,375

Donations of capital assets are not reflected on the governmental fund statements but are shown in the statement of activities.	320,000
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Compensated absences reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(60,505)
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Change in net position of governmental activities - statement of activities	\$	<u><u>1,233,973</u></u>
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Financial Section

Proprietary Funds

Enterprise Funds

Water Fund - This fund is used to account for the activities of the Town's water utility operations.

Sewer Fund - This fund is used to account for the activities of the Town's sewer utility operations.



Town of Chino Valley, Arizona

Statement of Fund Net Position

Proprietary Funds

June 30, 2025

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and investments	\$ 1,064,375	-	\$ 1,064,375
Receivables (net of allowance)	120,968	114,887	235,855
Total current assets	<u>1,185,343</u>	<u>114,887</u>	<u>1,300,230</u>
Noncurrent assets:			
Restricted cash, cash equivalents	-	1,053,187	1,053,187
Capital assets, not being depreciated/amortized	4,200,510	802,164	5,002,674
Capital assets, being depreciated/amortized (net)	<u>2,755,035</u>	<u>16,451,313</u>	<u>19,206,348</u>
Total noncurrent assets	<u>6,955,545</u>	<u>18,306,664</u>	<u>25,262,209</u>
Total assets	<u>8,140,888</u>	<u>18,421,551</u>	<u>26,562,439</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions	51,757	49,834	101,591
Total deferred outflows of resources	<u>\$ 51,757</u>	<u>49,834</u>	<u>\$ 101,591</u>
LIABILITIES			
Current liabilities:			
Accounts payable	4,870	10,599	15,469
Accounts payable - construction	-	38,834	38,834
Accrued liabilities	10,574	-	10,574
Customer deposits	23,800	65,995	89,795
Accrued wages and benefits	6,679	8,407	15,086
Interest payable	4,094	69,974	74,068
Due to other funds	-	1,348,122	1,348,122
Unearned revenue	-	2,390,949	2,390,949
Compensated absences, current position	29,740	23,260	53,000
Loans payable, current portion	-	760,632	760,632
Bonds payable, current portion	<u>21,056</u>	<u>-</u>	<u>21,056</u>
Total current liabilities	<u>100,813</u>	<u>4,716,772</u>	<u>4,817,585</u>
Noncurrent liabilities:			
Compensated absences, net of current portion	13,617	10,650	24,267
Developer agreement payable	420,733	-	420,733
Loans payable, net of current portion	-	5,201,604	5,201,604
Bonds payable, net of current portion	169,057	-	169,057
Net pension liability	<u>300,435</u>	<u>283,036</u>	<u>583,471</u>
Total noncurrent liabilities	<u>903,842</u>	<u>5,495,290</u>	<u>6,399,132</u>
Total liabilities	<u>1,004,655</u>	<u>10,212,062</u>	<u>11,216,717</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	18,978	20,937	39,915
Total deferred inflows of resources	<u>18,978</u>	<u>20,937</u>	<u>39,915</u>
NET POSITION			
Net investment in capital assets	6,344,699	11,252,407	17,597,106
Restricted for debt service	-	1,053,187	1,053,187
Unrestricted	<u>824,313</u>	<u>(4,067,208)</u>	<u>(3,242,895)</u>
Total net position	<u>\$ 7,169,012</u>	<u>8,238,386</u>	<u>\$ 15,407,398</u>

The notes to the financial statements are an integral part of this statement.

Town of Chino Valley, Arizona

Statement of Revenues, Expenses and Changes in Fund Net Position

Proprietary Funds

For the Year Ended June 30, 2025

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
OPERATING REVENUES			
Charges for services	\$ 930,089	\$ 1,872,017	\$ 2,802,106
Other revenues	12,005	18,233	30,238
Total operating revenues	<u>942,094</u>	<u>1,890,250</u>	<u>2,832,344</u>
OPERATING EXPENSES			
Salaries	215,935	280,700	496,635
Employee benefits	101,553	137,554	239,107
Service, supplies and other	155,518	341,588	497,106
Repairs and maintenance	87,370	84,558	171,928
Utilities	92,019	158,223	250,242
Legal and professional	9,624	9,297	18,921
Contract service	37,372	41,206	78,578
Training and travel	9,462	5,130	14,592
Office expenses	2,307	2,298	4,605
Dues and subscriptions	920	-	920
Depreciation and amortization	281,906	1,276,149	1,558,055
Miscellaneous	-	-	-
Total operating expenses	<u>993,986</u>	<u>2,336,703</u>	<u>3,330,689</u>
Operating income (loss)	(51,892)	(446,453)	(498,345)
NON-OPERATING REVENUES (EXPENSES)			
Interest income	-	47,601	47,601
Interest expense and fiscal charges	(3,797)	(139,949)	(143,746)
Net non-operating revenues (expenses)	<u>(3,797)</u>	<u>(92,348)</u>	<u>(96,145)</u>
Income (loss) before contributions and transfers	(55,689)	(538,801)	(594,490)
Buy-in and connection fees	198,737	396,401	595,138
Capital contributions from other funds	272,420	840,714	1,113,134
Transfers in	-	620,000	620,000
Transfers out	-	-	-
Change in net position	415,468	1,318,314	1,733,782
Total net position - beginning	6,758,332	6,925,685	13,684,017
GASB 101 implementation adjustment	(4,788)	(5,613)	(10,401)
Total net position - beginning, as restated	<u>6,753,544</u>	<u>6,920,072</u>	<u>13,673,616</u>
Total net position - ending	<u>\$ 7,169,012</u>	<u>\$ 8,238,386</u>	<u>\$ 15,407,398</u>

The notes to the financial statements are an integral part of this statement.

Town of Chino Valley, Arizona

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2025

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Cash flows from operating activities			
Cash received from customers, service fees	\$ 886,489	\$ 1,830,479	\$ 2,716,968
Cash received from customers, other	12,005	18,233	30,238
Cash paid to suppliers	(414,850)	(987,979)	(1,402,829)
Cash paid to employees	(301,316)	(400,225)	(701,541)
Cash flows provided by (used in) operating activities	<u>182,328</u>	<u>460,508</u>	<u>642,836</u>
Cash flows from noncapital financing activities			
Interfund borrowing	-	(257,995)	(257,995)
Interfund transfers	-	620,000	620,000
Cash flows provided (used) by noncapital and related financing activities	<u>-</u>	<u>362,005</u>	<u>362,005</u>
Cash flows from capital and related financing activities			
Purchase of capital assets	-	(330,597)	(330,597)
Principal paid on long term debt	(20,272)	(739,093)	(759,365)
Interest paid on long-term debt	(8,695)	(149,309)	(158,004)
Receipts from buy-in and connection fees	198,737	396,401	595,138
Cash flows used in capital and related financing activities	<u>169,770</u>	<u>(822,598)</u>	<u>(652,828)</u>
Cash flows from investing activities			
Receipts from investment earnings	-	47,601	47,601
Cash flows provided by investing activities	<u>-</u>	<u>47,601</u>	<u>47,601</u>
Net change in cash and cash equivalents	352,098	47,516	399,614
Cash and cash equivalents - Beginning	<u>712,277</u>	<u>1,005,671</u>	<u>1,717,948</u>
Cash and cash equivalents - Ending	<u>\$ 1,064,375</u>	<u>\$ 1,053,187</u>	<u>\$ 2,117,562</u>

The notes to the financial statements are an integral part of this statement.

(continued)

Town of Chino Valley, Arizona

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2025

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Cash and cash equivalents at end of year includes:			
Cash and investments	\$ 1,064,375	\$ -	\$ 1,064,375
Restricted cash and investments	-	1,053,187	1,053,187
Total cash and cash equivalents	<u>\$ 1,064,375</u>	<u>\$ 1,053,187</u>	<u>\$ 2,117,562</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating (loss)	\$ (51,892)	\$ (446,453)	\$ (498,345)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	281,906	1,276,149	1,558,055
Changes in operating assets and liabilities (Increase)/decrease in:			
Accounts receivables	(28,960)	(4,196)	(33,156)
Prepays	-	1,519	1,519
Deferred outflows of resources related to pensions	(944)	(7,577)	(8,521)
Increase (decrease) in:			
Accounts payable	(21,349)	(347,198)	(368,547)
Accrued liabilities	1,091	-	1,091
Accrued wages and benefits	1,643	4,285	5,928
Customer deposits	(14,640)	(37,342)	(51,982)
Compensated absences	5,895	11,417	17,312
Net pension liability	2,145	2,218	4,363
Deferred inflows of resources related to pensions	7,433	7,686	15,119
Total adjustments	<u>234,220</u>	<u>906,961</u>	<u>1,141,181</u>
Net cash provided by operating activities	<u>\$ 182,328</u>	<u>\$ 460,508</u>	<u>\$ 642,836</u>
Noncash investing, capital and financing activities:			
Additions (deletions) to property, plant and equipment			
Capital assets purchased by other funds	\$ 272,420	\$ 840,714	\$ 1,113,134
Amortization of bond premium	4,391	-	4,391
	<u>276,811</u>	<u>840,714</u>	<u>1,117,525</u>

The notes to the financial statements are an integral part of this statement.

Financial Section

Notes to the Financial Statements



1. Summary of Significant Accounting Policies

The accompanying financial statements of the Town of Chino Valley, Arizona (Town) have been prepared in conformity with accounting principles generally accepted in the United States of America applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB). A summary of the Town's more significant accounting policies follows.

Reporting Entity

The Town of Chino Valley, Arizona is a municipal government that is governed by an elected mayor, vice mayor, and five-member governing council (council). The accompanying financial statements present the Town and its component units, entities for which the Town 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 Town.

The following is a brief review of the component units included in defining the Town's reporting entity. There are no discretely presented component units and one blended component unit.

Basis of Presentation - Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all the activities 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.

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the Town's enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds.

Interfund services provided and used are not eliminated in the process of consolidation for the government-wide financial statements.

Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the Town's funds. Separate statements for each fund category - governmental and proprietary - 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 nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The Town reports the following major governmental funds:

The General Fund is the Town's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

Highway User Revenue Fund (HURF) This fund accounts for the Town's share of Arizona's highway user tax revenues and associated expenditures legally restricted for road construction and maintenance.

The Grants Special Revenue Fund accounts for miscellaneous federal and state grants and other contributions that are restricted for specific use.

The Debt Service Fund accounts for the accumulation of resources for, and the payment of current and future debt service requirements for governmental debt principal and interest.

The Capital Improvement Capital Projects Fund accounts for transaction privilege tax revenues and bond proceeds used for capital projects and other internally designated purposes.

The Town reports the following major proprietary funds:

The Water Fund accounts for the activities of pumping, treating and distribution of water. The Sewer Fund accounts for the activities of wastewater collection and treatment. During the course of operations, the Town 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.

Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type 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. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

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 Town 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 lease contracts are reported as other financing sources.

Transaction privilege taxes, franchise taxes, intergovernmental grants and aid, 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 Town.

The proprietary funds are reported using the *economic resources measurement focus* and the accrual basis of accounting.

Deposits and Investments

Cash includes cash on hand, demand deposits with banks and other financial institutions, and deposits in other types of accounts or cash management pools that have the general characteristics of demand deposit accounts. Cash equivalents consist of short-term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present an insignificant risk of changes in value because of changes in interest rates. Generally, only investments with original maturities of three months or less from the date of acquisition qualify as cash equivalents.

Cash and investments are pooled except for funds required to be held by fiscal agents or restricted under provisions of bond indentures. Interest earned from investments purchased with such pooled monies is allocated to each of the funds based on the average daily cash balances. State statutes authorize the Town to invest in obligations of the U.S. Treasury and U.S. agencies, certificates of the deposit in eligible depositories, repurchase agreements, obligations of the State of Arizona or any of its counties or incorporated cities, towns, or duly organized school districts, improvement districts in this state and the State Treasurer's Local Government Investment Pool. All investments are stated at fair value.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "Internal balances" in the Statement of Net Position and as "Due to" or "Due from" other funds in the fund financial statements. All trade accounts receivable in the proprietary funds are shown net of an allowance for doubtful accounts.

Inventories and Prepaid Items

Purchases of inventory items are recorded at the time of purchase (purchases method) as expenditures in the funds from which the purchases were made; and because the amounts on hand at June 30, 2025, were immaterial, they are not included in the balance sheet.

Certain payments to vendors reflect costs 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 (consumption method) rather than when purchased.

Restricted Assets

Certain proceeds of the Town's bonds and loans are classified as restricted assets on the statement of net position because their use is limited by applicable bond or loan covenants.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), including those that are subscription assets or leased assets by the Town, are reported in the applicable governmental or business-type activity columns in the government-wide financial statements and in the proprietary fund financial statements. Capital assets are defined by the Town as assets with an individual cost of more than \$5,000 and an estimated useful life in excess of one year. Capitalized assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value. 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, construction in progress, and water rights are not depreciated/amortized. The other property, plant, and equipment are depreciated/amortized using the straight-line method over the following estimated useful lives:

Land improvements	10-25 years
Buildings and improvements	10-25 years
Water and Wastewater systems	25-50 years
Furniture, equipment and vehicles	5-15 years
Infrastructure	10-25 years

Intangible right-to-use lease assets are amortized over the shorter of the lease term or the useful life of the underlying asset.

Intangible right-to-use subscription assets are amortized over the shorter of the subscription term or the useful life of the underlying IT asset.

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 assets that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then.

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 assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Post-Employment Benefits

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the pension plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. 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.

Leases and Subscription-Based Information Technology Arrangements Leases

As lessee, the Town recognizes lease liabilities with an initial, individual value of \$100,000 or more. The Town uses its estimated incremental borrowing rate to measure lease liabilities unless it can readily determine the interest rate implicit in the lease. The Town's estimated incremental borrowing rate is based on the average interest rate of other financing instruments with similar terms and risks as those currently entered into by the Town.

As lessor, the Town recognizes lease receivables with an individual value of \$100,000 or more. If there is no stated rate in the lease contract (or if the stated rate is not the rate the Town charges the lessee) and the implicit cannot be determined, the Town uses its own estimated incremental borrowing rate as the discount rate to measure lease receivables. The Town's estimated incremental borrowing rate is calculated as described above.

Subscription-Based Information Technology Arrangements

The Town recognizes subscription liabilities with an initial, individual value of \$100,000 or more. The Town uses its estimated incremental borrowing rate to measure subscription liabilities unless it can readily determine the interest rate implicit in the arrangement. The Town's estimated incremental borrowing rate is calculated as described above for leases.

Net Position Flow Assumption

Sometimes the Town 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 and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

Sometimes the Town 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 Town'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 Town 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 Town's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the Town 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 Town for specific purposes but do not meet the criteria to be classified as committed. The Town Manager is authorized to assign amounts to a specific purpose in accordance with the Town's budget policy. 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.

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

Compensated Absences

Town employees earn vacation, sick leave, and other compensated absences in accordance with Town policy and applicable employment agreements. In prior years, the Town accounted for compensated absences under GASB Statement No. 16. Beginning with the fiscal year ended June 30, 2025, the Town adopted GASB Statement No. 101, Compensated Absences.

Under GASB 101, the Town recognizes a liability for compensated absences when the leave is attributable to services already rendered and is vested or more likely than not to be used for time off or otherwise paid to employees upon separation from service. Liability is measured at the amounts expected to be paid, considering payout rates in effect at year-end and historical usage patterns.

For governmental funds, only the portion of the liability expected to be liquidated with expendable available financial resources is reported. The full liability is reported in the government-wide financial statements, and in the proprietary fund financial statements.

Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of proprietary funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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.

Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at year end. The Town Council follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Arizona Revised Statutes, the Town Manager submits a proposed budget for the fiscal year commencing the following July 1 to the Town 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 Town 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 Town 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. The Town follows a voter-approved alternative expenditure limitation that was extended on July 30, 2024.

5. Expenditures may not legally exceed the expenditure limitation of all fund types as a whole. For management purposes, the Town adopts a budget by department for the General Fund and in total by fund for other funds. The Town Manager, subject to Town Council approval, may at any time transfer any unencumbered appropriation balance or portion thereof between a department or activity. The total adopted budget cannot be amended in any way without Town Council approval.
6. The Town has adopted budgets in accordance with A.R.S. requirements and utilizes the budgets as a management control device during the year for the General, Special Revenue, Debt Service and Capital Projects Funds. The budgets are prepared on essentially the same modified accrual basis of accounting used to record actual revenues and expenditures.

The Town is subject to the State of Arizona's Spending Limitation Law for Towns and Cities. This law does not permit the Town 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 Town complied with this law during the year.

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 Town.

Expenditures Over Appropriations

Expenditures may not legally exceed budgeted appropriations at the department level. There were no occurrences of expenditures over appropriations in any department for the year ended June 30, 2025.

Effect of New Accounting Standards on Current Period Financial Statements

The Governmental Accounting Standards Board (GASB) has issued several statements that have been adopted but are in effect for the fiscal year ending June 30, 2025. The Town has implemented these standards as required. Those standards include:

GASB Statement No. 101, Compensated Absences – Effective for fiscal years beginning after December 15, 2023 (fiscal year ending June 30, 2025, for the Town). This Statement requires governments to recognize a liability for compensated absences that are attributable to services already rendered and are either vested or more likely than not to be used for time off or otherwise paid. Liabilities are measured at the amounts expected to be paid, considering payout rates and historical usage patterns.

In connection with the implementation of GASB 101, the Town recalculated its compensated absences liability as of June 30, 2024. As a result, the beginning net position of the governmental activities and business-type activities at July 1, 2024 were adjusted by to reflect the difference between the liability previously reported under GASB 16 and the liability required under GASB 101, as described in Note 11.

GASB Statement No. 102, Certain Risk Disclosures – Effective for fiscal years beginning after June 15, 2024 (fiscal year ending June 30, 2025, for the Town). This Statement requires disclosure of certain concentrations and constraints that could make a government vulnerable to the risk of a substantial impact. The Town has evaluated its operations and has determined that it is

subject to constitutional expenditure limitations imposed by the State of Arizona, as described in Note 12.

The Governmental Accounting Standards Board (GASB) has issued several statements that have been adopted but are not yet effective for the fiscal year ending June 30, 2025. The Town will implement these standards in future reporting periods as required. Those standards include:

GASB Statement No. 103, Financial Reporting Model Improvements – Effective for fiscal years beginning after June 15, 2025 (fiscal year ending June 30, 2026, for the Town). This Statement establishes changes to the financial reporting model, including management’s discussion and analysis, presentation of governmental fund financial statements, and proprietary fund cash flows. The Town is currently evaluating the impact of this Statement.

GASB Statement No. 104, Disclosure of Certain Capital Assets – Effective for fiscal years beginning after June 15, 2025 (fiscal year ending June 30, 2026, for the Town). This Statement establishes disclosure requirements for certain capital assets, including intangible assets and assets held for sale. The Town is currently evaluating the impact of this Statement.

The Town continues to monitor and evaluate the impact of any future accounting standards issued by GASB, to ensure compliance and accurate financial reporting on its future financial statements. The adoption of these standards is expected to enhance the transparency and comparability of the Town's financial reporting. The Town will provide additional disclosures in the financial statements for the periods in which these standards become effective.

2. Cash and Investments

The following table summarizes the Town's cash and investments at June 30, 2025:

	Governmental Activities	Business-Type Activities	Total
Cash and cash equivalents	\$ 14,380,779	\$ 1,064,375	\$ 15,445,154
Restricted cash and cash equivalents	574,576	1,053,187	1,627,763
Total	<u>\$ 14,955,355</u>	<u>\$ 2,117,562</u>	<u>\$ 17,072,917</u>

Deposits

For purposes of financial reporting and the statement of cash flows, the Town considers all highly liquid investments (including amounts held in the State Treasurer’s Local Government Investment Pool) with an original maturity of three months or less from the date of acquisition to be cash equivalents. Cash includes cash on hand, demand deposits with banks and other financial institutions, and deposits in other types of accounts or cash management pools that have the general characteristics of demand deposit accounts.

At June 30, 2025, the Town had \$3,727 of petty cash on hand. The carrying amount of the Town's cash in bank totaled \$3,125,130 and the bank balance was \$3,190,684. The difference of \$65,554 is attributed to outstanding checks offset by deposits in transit.

Of the bank balance, \$270,919 was covered by federal depository insurance, and \$2,919,765 was covered by collateral held in the pledging bank's trust department not in the Town's name.

Restricted cash and cash equivalents - At June 30, 2025, the Town had restricted cash and cash equivalents of \$1,627,763, which was restricted for debt payments, police impoundment activities, and court improvements in accordance with applicable legal or contractual requirements.

Investments

The Town invests in the Local Government Investment Pool 5 and Pool 7 (LGIP), investment pools managed by the State Treasurer's Office that allows governments within the State to pool their funds for investment purposes. The LGIP is not registered with the Securities Exchange Commission under the 1940 Investment Advisors Act. The State Board of Investment and the Investment Risk Management Committee have oversight responsibilities of the investment pool in accordance with ARS 35-311. The pool's policy is to invest in fixed-rate securities with a final maturity less than 36 months from the settlement date of the purchase and variable-rate securities with final maturity less than five years.

At June 30, 2025, the dollar-weighted average portfolio maturity was approximately 33 days for Pool 5 and 26 days for Pool 7. These pools are maintained at a stable net asset value of \$1.00 per share. The Arizona State Treasurer issues a publicly available financial report that includes financial statements and required supplementary information. Copies may be obtained by contacting the Arizona State Treasurer, 1700 West Washington, Phoenix, Arizona 85007.

Funds held in the State Treasurer's Local Government Investment Pool represent a proportionate interest in the pool's portfolio; however, the Town's portion is not identified with specific investments and is not subject to custodial credit risk. At June 30, 2025, the Town's funds invested with the State Treasurer totaled \$13,702,179. Of that amount, the Town has \$1,053,187 invested with the State Treasurer as Debt Service Reserve Funds, which is included in restricted cash and cash equivalents. Additionally, the Town has \$241,881 on deposit with the Trustee as Debt Service Reserve Funds also, which is included in restricted cash and cash equivalents.

Investments in the State Treasurer's investment pools are valued at the pool's share price multiplied by the number of shares the Town held. The fair value of a participant's position in the pools approximates the value of that participant's pool shares. The State Board of Investment provides oversight for the State Treasurer's investment pools.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Information about the sensitivity of the fair values of the Town's investments to market interest rate fluctuations is provided by the following table that shows the distribution of Town's investments by maturity:

Town of Chino Valley, Arizona

Notes to the Financial Statements
June 30, 2025

<u>Investment Type</u>	<u>Remaining Maturity 12 Months or Less</u>
Local Government Investment Pool	\$ 13,702,179
Total	<u>\$ 13,702,179</u>

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Town does not have a formal investment policy regarding credit risk. However, the Town is prohibited by State law from investing in investments other than obligations of the U.S. Treasury and U.S. agencies, certificates of deposit in eligible depositories, repurchase agreements, obligations of the State of Arizona or any of its counties or incorporated cities, towns or duly organized school districts, improvement districts in this state and the State Treasurer's Local Investment Pool. Presented below is the actual rating as of year-end for each investment type.

<u>Investment Type</u>	<u>Ratings</u>			
	<u>Total</u>	<u>AAA/S1+</u>	<u>AA-1</u>	<u>Unrated</u>
Local Government Investment Pool	\$ 13,702,179	683,295	13,018,883	-
Total	<u>\$ 13,702,179</u>	<u>\$ 683,295</u>	<u>\$ 13,018,883</u>	<u>\$ -</u>

3. Receivables

Receivables as of yearend for the government's individual major and non-major funds in the aggregate, as shown in the Balance Sheet, including the applicable allowances for uncollectible accounts, are as follows:

<i>Receivables:</i>	<u>Charges for</u>		<u>Inter- governmental</u>	<u>Misc- ellaneous</u>	<u>Gross Receivables</u>	<u>Less:</u>	<u>Net Total Receivables</u>
	<u>Services</u>	<u>Leases</u>				<u>Allowance for Uncollectibles</u>	
General Fund	\$ -	\$ 455,841	\$ 1,080,728	\$ 114,574	\$ 1,651,143	\$ -	\$ 1,651,143
Highway User Revenue Fund	-	-	137,198	189	137,387	-	137,387
Grants Fund	-	-	-	42,007	42,007	-	42,007
Capital Improvement Fund	-	-	286,756	-	286,756	-	286,756
Water System	127,968	-	-	-	127,968	(7,000)	120,968
Sewer System	164,887	-	-	-	164,887	(50,000)	114,887
Nonmajor Governmental Funds	-	-	-	158	158	-	158
Total	<u>\$ 292,855</u>	<u>\$ 455,841</u>	<u>\$ 1,504,682</u>	<u>\$ 156,928</u>	<u>\$ 2,410,306</u>	<u>\$ (57,000)</u>	<u>\$ 2,353,306</u>

Intergovernmental receivables consist of amounts due from the State of Arizona for various taxes, shared revenues, and highway user revenues.

Receivables in the proprietary funds are service billings receivable and are shown in the financial statements net of an allowance for doubtful accounts which is itemized in the table above.

Town of Chino Valley, Arizona

Notes to the Financial Statements

June 30, 2025

4. Capital Assets

Capital asset activity for the year ended June 30, 2025, was as follows:

	<u>Capital Assets June 30, 2024</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Capital Assets June 30, 2025</u>
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 2,418,867	\$ 473,331	\$ -	\$ -	\$ 2,892,198
Construction in progress	2,732,014	2,351,618	(4,002,539)	(1,054,593)	26,500
Water Rights	-	58,541	-	(58,541)	-
Total capital assets, not being depreciated:	<u>5,150,881</u>	<u>2,883,490</u>	<u>(4,002,539)</u>	<u>(1,113,134)</u>	<u>2,918,698</u>
Capital assets, being depreciated:					
Buildings	21,722,695	2,032,124	(26,541)	-	23,728,278
Improvements other than buildings	1,525,618	32,883	(52,429)	-	1,506,072
Machinery, equipment, vehicles	6,123,347	952,858	(750,976)	-	6,325,229
Infrastructure	19,416,222	3,340,100	-	-	22,756,322
Total capital assets, being depreciated:	<u>48,787,882</u>	<u>6,357,965</u>	<u>(829,946)</u>	<u>-</u>	<u>54,315,901</u>
Less accumulated depreciation for:					
Buildings	(8,261,041)	(813,610)	26,543	-	(9,048,108)
Improvements other than buildings	(1,101,149)	(30,138)	52,430	-	(1,078,857)
Machinery, equipment, vehicles	(3,899,112)	(502,007)	748,723	-	(3,652,396)
Infrastructure	(5,037,527)	(761,608)	-	-	(5,799,135)
Total accumulated depreciation:	<u>(18,298,829)</u>	<u>(2,107,363)</u>	<u>827,696</u>	<u>-</u>	<u>(19,578,496)</u>
Total capital assets, being depreciated, net	<u>30,489,053</u>	<u>4,250,602</u>	<u>(2,250)</u>	<u>-</u>	<u>34,737,405</u>
Governmental activities capital assets, net	<u>35,639,934</u>	<u>7,134,092</u>	<u>(4,004,789)</u>	<u>(1,113,134)</u>	<u>37,656,103</u>
Business-type activities:					
Capital assets, not being depreciated:					
Land	3,308,253	-	-	-	3,308,253
Construction in progress	223,047	330,627	(10,030)	209,329	752,973
Water rights	882,907	-	-	58,541	941,448
Total capital assets, not being depreciated:	<u>4,414,207</u>	<u>330,627</u>	<u>(10,030)</u>	<u>267,870</u>	<u>5,002,674</u>
Capital assets, being depreciated:					
Treatment facilities	11,030,494	10,000	-	-	11,040,494
Water distribution system	6,119,246	-	-	(832,222)	5,287,024
Sewer collection system	22,256,928	-	-	1,677,486	23,934,414
Machinery, equipment and vehicles	1,737,843	-	-	-	1,737,843
Total capital assets, being depreciated:	<u>41,144,511</u>	<u>10,000</u>	<u>-</u>	<u>845,264</u>	<u>41,999,775</u>
Less accumulated depreciation for:					
Treatment facilities	(3,953,529)	(257,033)	-	-	(4,210,562)
Water distribution system	(2,824,552)	(223,958)	-	-	(3,048,510)
Sewer collection system	(13,596,232)	(920,668)	-	-	(14,516,900)
Machinery, equipment and vehicles	(861,059)	(156,396)	-	-	(1,017,455)
Total accumulated depreciation:	<u>(21,235,372)</u>	<u>(1,558,055)</u>	<u>-</u>	<u>-</u>	<u>(22,793,427)</u>
Total capital assets, being depreciated, net	<u>19,909,139</u>	<u>(1,548,055)</u>	<u>-</u>	<u>845,264</u>	<u>19,206,348</u>
Business-type activities capital assets, net	<u>24,323,346</u>	<u>(1,217,428)</u>	<u>(10,030)</u>	<u>1,113,134</u>	<u>24,209,022</u>
Total	<u>\$ 59,963,280</u>	<u>\$ 5,916,664</u>	<u>\$ (4,014,819)</u>	<u>\$ -</u>	<u>\$ 61,865,125</u>

Town of Chino Valley, Arizona

Notes to the Financial Statements
June 30, 2025

During the fiscal year, certain capital projects were funded and paid for from governmental funds but are related to business-type activities. Upon completion, these assets were transferred to the appropriate proprietary funds, where they are capitalized. These noncash transfers are reported as capital contributions in the proprietary fund financial statements and as transfers between governmental and business-type activities in the government-wide financial statements.

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

Governmental activities:	
General government	\$ 410,854
Public safety	487,510
Highways and streets	764,909
Culture and recreation	438,997
Health and welfare	<u>5,093</u>
Total depreciation expense - governmental activities	<u>\$ 2,107,363</u>
Business-type activities:	
Water	\$ 281,906
Sewer	<u>1,276,149</u>
Total depreciation expense - business-type activities	<u>\$ 1,558,055</u>

Construction in progress activity for the year ended June 30, 2025, was as follows:

	Construction in Progress June 30, 2024	Increases	Decreases	Transfers	Construction in Progress June 30, 2025
Governmental activities:					
2023 Ford Interceptor - Police	\$ 54,771	\$ 22,442	\$ (77,213)	\$ -	\$ -
Del Rio Springs Stabilization	-	26,500	-	-	26,500
North Reed Road Improvements	43,085	656,587	(699,672)	-	-
Perkinsville Phase I	1,433,392	119,832	(707,960)	(845,264)	-
Road 1 East Improvements	948,987	522,844	(1,471,831)	-	-
Senior Center Kitchen Remodel	51,694	670,746	(722,440)	-	-
Streets Modular Building	200,085	123,338	(323,423)	-	-
Yavapai College Sewer Line Extension	-	209,329	-	(209,329)	-
Total governmental activities	<u>2,732,014</u>	<u>2,351,618</u>	<u>(4,002,539)</u>	<u>(1,054,593)</u>	<u>26,500</u>
Business-type activities:					
Drying Bed	19,516	-	-	-	19,516
Equalization Basin	77,220	-	(30)	-	77,190
Equipment Pole Barn	10,000	-	(10,000)	-	-
New Well and Pump	47,925	-	-	-	47,925
Plant Expansion Engineering	68,386	330,627	-	-	399,013
Yavapai College Sewer Line Extension	-	-	-	209,329	209,329
Total business-type activities	<u>223,047</u>	<u>330,627</u>	<u>(10,030)</u>	<u>209,329</u>	<u>752,973</u>
Total	<u>\$ 2,955,061</u>	<u>\$ 2,682,245</u>	<u>\$ (4,012,569)</u>	<u>\$ (845,264)</u>	<u>\$ 779,473</u>

Town of Chino Valley, Arizona

Notes to the Financial Statements
June 30, 2025

5. Leases

As of June 30, 2025, the Town is reporting Leases Receivables of \$455,841 and Deferred Inflows Related to Leases of \$419,352. For the fiscal year 2025, the Town reported lease revenue of \$10,538 and interest revenue of \$18,317, related to lease payments received. From time to time the Town's lease contracts include variable lease payments, including residual value guarantees, that are not included in the lease receivable because they are not fixed in substance. The Town recognized an insignificant amount of revenue related to these variable lease payments and they have not been further disclosed or included in the measurement of the Town's lease receivables. These leases are summarized as follows:

Lease	Lease Receivable	Deferred Inflows		Lease Interest Revenue
		Related to Leases	Lease Revenue	
SunState Tower 1	\$ 187,699	\$ 173,581	\$ 4,339	\$ 7,542
SunState Tower 2	268,142	245,771	6,199	10,775
	<u>\$ 455,841</u>	<u>\$ 419,352</u>	<u>\$ 10,538</u>	<u>\$ 18,317</u>

The descriptions for each lease are listed below:

Sunstate Tower 1 - In May, 2015, Town of Chino Valley entered into a 25-year lease as Lessor for the use of land for communications towers. The lessee has five extension option(s), each for five years. The Town is reasonably certain the lessee will renew the lease. The lessee is required to make monthly fixed payments of \$700 for the first 25 years, and then at a 10% increase for each of the five extension periods. The lease has an interest rate of 4%. Based on this agreement, the Town is receiving payments through 2065. An initial lease receivable was recorded in the amount of \$190,937. As of June 30, 2025, the value of the lease receivable is \$187,699. The value of the deferred inflow of resources as of June 30, 2025 was \$173,581, and Town of Chino Valley, Arizona recognized lease revenue of \$4,339 during the fiscal year.

Sunstate Tower 2 - In May, 2015, Town of Chino Valley entered into a 25-year lease as Lessor for the use of land for communications towers. The lessee has five extension option(s), each for five years. The Town is reasonably certain the lessee will renew the lease. The lessee is required to make monthly fixed payments of \$1,000 for the first 25 years, and then at a 10% increase for each of the five extension periods. The lease has an interest rate of 4%. Based on this agreement, the Town is receiving payments through 2065. An initial lease receivable was recorded in the amount of \$272,768. As of June 30, 2025, the value of the lease receivable is \$268,142. The value of the deferred inflow of resources as of June 30, 2025 was \$245,771, and Town of Chino Valley, Arizona recognized lease revenue of \$6,199 during the fiscal year.

Town of Chino Valley, Arizona

Notes to the Financial Statements

June 30, 2025

6. Long-Term Debt

The following is a summary of changes in long-term obligations for the year ended June 30, 2025:

	Balance 6/30/2024, as restated	Increases	Decreases	Balance 6/30/2025	Due within One Year
Governmental activities:					
Bonds payable:					
Refunding bond series 2021	\$ 5,715,961	\$ -	\$ (629,728)	\$ 5,086,233	\$ 653,944
Premium	1,080,089	-	(261,840)	818,249	-
Revenue bond series 2021	5,880,000	-	(150,000)	5,730,000	175,000
Premium	902,649	-	(41,029)	861,620	-
Total bonds payable	<u>13,578,699</u>	<u>-</u>	<u>(1,082,597)</u>	<u>12,496,102</u>	<u>828,944</u>
Other long-term liabilities:					
Compensated absences	787,920	525,114	(464,609)	848,425	527,000
Net pension liability	8,526,300	-	(1,141,771)	7,384,529	-
Total bonds payable	<u>9,314,220</u>	<u>525,114</u>	<u>(1,606,380)</u>	<u>8,232,954</u>	<u>527,000</u>
Total governmental activities	<u>\$ 22,892,919</u>	<u>\$ 525,114</u>	<u>\$ (2,688,977)</u>	<u>\$ 20,729,056</u>	<u>\$ 1,355,944</u>
Business-type activities:					
Bonds payable:					
Revenue bonds	\$ 184,039	\$ -	\$ (20,272)	\$ 163,767	\$ 21,056
Premium	30,737	-	(4,391)	26,346	-
Total bonds payable	<u>214,776</u>	<u>-</u>	<u>(24,663)</u>	<u>190,113</u>	<u>21,056</u>
Loans payable:					
WIFA series 2007	\$ 306,793	\$ -	\$ (99,495)	\$ 207,298	\$ 102,239
WIFA series 2008	1,296,823	-	(310,837)	985,986	319,584
WIFA series 2014	1,774,553	-	(145,755)	1,628,798	148,685
WIFA series 2016	3,113,612	-	(170,218)	2,943,394	177,027
WIFA series 2017	209,548	-	(12,788)	196,760	13,097
Total loans payable	<u>6,701,329</u>	<u>-</u>	<u>(739,093)</u>	<u>5,962,236</u>	<u>760,632</u>
Other long-term liabilities:					
Compensated absences	59,955	55,895	(38,583)	77,267	53,000
Developer agreement payable	420,733	-	-	420,733	-
Net pension liability	579,108	4,363	-	583,471	-
Total bonds payable	<u>1,059,796</u>	<u>60,258</u>	<u>(38,583)</u>	<u>1,081,471</u>	<u>53,000</u>
Total business-type activities	<u>\$ 7,975,901</u>	<u>\$ 60,258</u>	<u>\$ (802,339)</u>	<u>\$ 7,233,820</u>	<u>\$ 834,688</u>
Total long-term liabilities	<u>\$ 30,868,820</u>	<u>\$ 585,372</u>	<u>\$ (3,491,316)</u>	<u>\$ 27,962,876</u>	<u>\$ 2,190,632</u>

Town of Chino Valley, Arizona

Notes to the Financial Statements

June 30, 2025

Generally, for governmental activities, compensated absences, pension liabilities are liquidated by the General Fund.

Debt service requirements to maturity for bonds and loans payable are as follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
Fiscal years ending:				
2026	\$ 828,944	\$ 445,814	\$ 781,688	\$ 127,817
2027	804,724	409,078	803,107	106,971
2028	853,164	368,170	719,591	88,443
2029	901,605	323,090	394,428	79,093
2030	950,825	277,549	406,685	69,446
2031-2035	2,736,971	883,985	2,151,922	199,058
2036-2040	1,350,000	590,000	868,582	20,905
2041-2045	1,635,000	287,200	-	-
2046-2050	755,000	15,400	-	-
Total	<u>\$ 10,816,233</u>	<u>\$ 3,600,286</u>	<u>\$ 6,126,003</u>	<u>\$ 691,733</u>

The following is a listing of bonds payable outstanding as of June 30, 2025:

	<u>Balance</u> <u>June 30, 2025</u>	<u>Due Within</u> <u>One Year</u>
Bonds payable:		
Governmental activities:		
Pledged Revenue Bonds, Series 2021, due in annual principal and semiannual interest installments ranging from \$280,412 to \$404,450 bearing interest at 3.00% to 5.00%, maturing August 2046.	\$ 5,730,000	\$ 175,000
Pledged Revenue Bonds, Series 2021, due in annual principal and semiannual interest installments ranging from \$879,000 to \$953,000 bearing interest at 4.00% to 5.00%, maturing August 2031.	5,086,233	653,944
Business-type activities:		
Pledged Revenue Bonds, Series 2021, due in annual principal and semiannual interest installments ranging from \$36,000 to \$43,000 bearing interest at 4.00% to 5.00%, maturing August 2031.	<u>163,767</u>	<u>21,056</u>
Total bonds payable	<u>\$ 10,980,000</u>	<u>\$ 850,000</u>

Town of Chino Valley, Arizona

Notes to the Financial Statements
June 30, 2025

The following is a listing of loans payable outstanding as of June 30, 2025:

	Balance June 30, 2025	Due Within One Year
	<u> </u>	<u> </u>
Loans payable:		
Business-type activities:		
Water Infrastructure Finance Authority of Arizona (WIFA) loan, due in semiannual variable principal and interest installments, bearing interest at 2.758%, maturing July 1, 2026.	\$ 207,298	\$ 102,239
Water Infrastructure Finance Authority of Arizona (WIFA) loan, due in semiannual variable principal and interest installments, bearing interest at 2.814%, maturing July 1, 2027.	985,986	319,584
Water Infrastructure Finance Authority of Arizona (WIFA) loan, due in semiannual variable principal and interest installments, bearing interest at 2.010%, maturing July 1, 2034.	1,628,798	148,685
Water Infrastructure Finance Authority of Arizona (WIFA) loan, due in semiannual variable principal and interest installments, bearing interest at 2.344%, maturing July 1, 2037.	2,943,394	177,027
Water Infrastructure Finance Authority of Arizona (WIFA) loan, due in semiannual variable principal and interest installments, bearing interest at 3.200%, maturing July 1, 2037.	<u>196,760</u>	<u>13,097</u>
Total loans payable, business-type activities	<u>\$ 5,962,236</u>	<u>\$ 760,632</u>

Developer agreements payable outstanding as of June 30, 2025:

Developer agreement payable:	
Business-type activities:	
Developer agreement payable with no minimum required payments and no interest. Payments are contingent on The number of water hook-ups received during the year.	<u>\$ 420,733</u>

7. Pledged Revenues

The Town has pledged a portion of the future excise taxes and state shared revenues to repay \$3.3 million in MPC Revenue Bonds issued in 2016 and to repay \$7.28 million in MPC Revenue Bonds issued in 2010. The 2016 MPC bonds were used to refinance the remaining portion of a 2007 GADA loan. The 2010 MPC bonds were used to refund the remaining portion of the MPC 2004 Revenue Bonds. The bonds were payable from excise taxes and state shared revenues of the Town. Annual principal and interest payments on the bonds were estimated to require 10% of excise tax and state shared revenues. These amounts were refunded during the year ended June 30, 2022 with the 2021 Pledged Revenue Refunding Obligation Bonds.

Town of Chino Valley issued Pledged Revenue Obligation Bonds Series 2021 and Pledged Revenue Refunding Obligation Bonds Series 2021 to finance the costs of construction of public safety facilities in and for the Town, to refinance the costs of certain capital projects for the Town, and to pay costs relating to the execution and delivery of the Bonds. These Bonds have been issued for governmental activities. These Bonds are direct and pledge the full faith and credit of the Town of Chino Valley. The Bonds are secured by a first lien on and pledge of Excise Tax Revenues and State Shared Revenues on a parity with the Parity Loan Agreements with the Water Infrastructure Authority. These Bonds mature in 10-25 years and accrue interest at an annual rate of 25 years and accrue interest at annual rate of 3% - 5%.

The Pledged Refunding Obligation Bonds have an average interest rate of 4.99% replacing issues with an average interest rate of 4.56% over the entire life of those bonds and a remaining weighted average maturity of 5.47. The Town realized net proceeds of \$8,563,409 on the Pledged Revenue Refunding Obligations after payment of \$94,250 in underwriting fees, insurance, and other issuance costs. The refunded 2010 and 2016 Series Revenue Bonds are considered fully defeased, and related liabilities are not included in the Town's financial statements. The reacquisition price exceeded the net carrying amount of the old debt by \$329,919. This amount is reported as a deferred outflow of resources and amortized over the remaining life of the refunded debt, which had a shorter remaining life than the refunding debt. The refunding reduces the Town's total debt service payments causing an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1,299,043.

The Town has pledged a portion of future sewer system customer revenues, net of specified operating expenses, and future excise taxes and state shared revenues to repay \$9.7 million in WIFA loans issued in 2007, 2008, 2014, 2016 and 2017. Proceeds from the loans provided financing for development of the Town's sewer system. The loans are payable from sewer system customer net revenues and excise taxes and state shared revenues. The WIFA loans are payable through July 2026, 2027, 2034 and 2037. Annual principal and interest payments on the loans are estimated to require 5% of total net sewer system, excise taxes and state shared revenues. The total principal and interest remaining to be paid on the WIFA loans is \$6,627,805. For the current year, principal and interest paid was \$888,402, sewer system customer net revenues were \$737,348, and excise taxes and state shared revenues were \$18,587,653.

Restrictive Covenants

The 2021 Series Revenue Bonds that are contained in the Long-term Debt Summary Table have continuing disclosure requirements that are to be uploaded to the Electronic Municipal Market Access (EMMA) by February 1st of each year.

Town of Chino Valley, Arizona

Notes to the Financial Statements
June 30, 2025

8. Interfund Receivables, Payables and Transfers

Short-term borrowings between funds are reported as due to/due from other funds and long-term borrowings between funds are reported as advances to and advances from other funds.

As of June 30, 2025, the Town reported the following due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Sewer Fund	\$ 1,348,122
Total		<u>\$ 1,348,122</u>

The \$1,348,122 due from the Sewer Fund to the General Fund is a short-term borrowing to cover deficit cash to be paid in less than one year.

Reported Transfers in Governmental Fund Financial Statements

Interfund transfers reported in the governmental fund statements for the fiscal year ended June 30, 2025 are as follows:

<u>Transfer Out:</u>	<u>Transfer In:</u>			
	<u>Highway User Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Sewer System</u>	<u>Total</u>
Capital Improvement Fund	1,000,000	777,981	620,000	2,397,981
Total	<u>\$ 1,000,000</u>	<u>\$ 777,981</u>	<u>\$ 620,000</u>	<u>\$ 2,397,981</u>

These transfers represent the allocation of resources to finance debt service, capital improvements, and enterprise activities.

Eliminated Budgeted Transfers (Not Reported in Governmental Fund Financial Statements)

Although these transfers were legally budgeted and recorded at the individual fund level, they are eliminated in the governmental fund financial statements because the General Fund and the Capital Asset Replacement Fund are combined for reporting purposes, and the Highway User Revenue Fund and the Streets Capital Improvement Fund are likewise presented together. These transfers are disclosed here for consistency with the adopted budget and to provide transparency regarding the Town’s internal funding of capital programs.

<u>Transfer Out:</u>	<u>Transfer In:</u>		
	<u>Capital Asset Replacement Fund</u>	<u>Streets Capital Improvement Fund</u>	<u>Total</u>
General Fund	\$ 100,000	\$ -	100,000
Highway Users Revenue Fund	-	200,000	200,000
Total	<u>\$ 100,000</u>	<u>\$ 200,000</u>	<u>\$ 300,000</u>

Town of Chino Valley, Arizona

Notes to the Financial Statements
June 30, 2025

9. Pensions

The Town contributes to the plans described below. The plans are component units of the State of Arizona.

At June 30, 2025, the Town reported the following aggregate amounts related to pensions for all plans to which it contributes:

Statement of Net Position and Statement of Activities	Governmental Activities	Business-type Activities	Total
Net pension liabilities	\$ 7,384,529	\$ 583,471	\$ 7,968,000
Deferred outflows of resources	3,283,556	101,591	3,385,147
Deferred inflows of resources	(562,905)	(39,915)	(602,820)
Pension expense	(1,686,755)	(70,469)	(1,757,224)

The Town reported \$1,846,130 of pension contributions as expenditures in the governmental funds related to all pension plans to which it contributes.

Net OPEB assets/liabilities have not been recorded, or further disclosed, at June 30, 2025 in accordance with GASB Statement 75, due to the relative insignificance to the Town's financial statements.

Arizona State Retirement System Plan

Description

Town employees not covered by the other pension plan described below participate 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 benefits terms. 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.

Town of Chino Valley, Arizona

Notes to the Financial Statements
June 30, 2025

Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

	Retirement Initial Membership Date:	
	Before July 1, 2011	On or after July 1, 2011
	Sum of years and age equals 80	30 years, age 55
Years of service and age required to receive benefit	10 years, age 62	25 years, age 60
	5 years, age 50*	10 years, age 62
	any years, age 65	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.

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, 2025, statute required active ASRS members to contribute at the actuarially determined rate of 12.27% (12.12% for retirement and 0.15% for long-term disability) of the members' annual covered payroll, and statute required the Town to contribute at the actuarially determined rate of 12.27% (12.05% for retirement, 0.07% for health insurance premium benefit, and 0.15% for long-term disability) of the active members' annual covered payroll. In addition, the Town was required by statute to contribute at the actuarially determined rate of 10.19% (10.14% for retirement, 0.05% for long-term disability) of annual covered payroll of retired members who worked for the Town in positions that an employee who contributes to the ASRS would typically fill.

The Town's contributions to the pension, health insurance premium benefit, and long-term disability plans for the year ended June 30, 2025 were \$644,288, \$3,743, and \$8,020, respectively.

During fiscal year 2025, the Town paid for ASRS pension contributions as follows: 91% from the General Fund, 4% from the water fund, and 5% from the sewer fund.

Pension Liability

At June 30, 2025, the Town reported a liability of \$5,877,353 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2024. 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, 2023, to the measurement date of June 30, 2024. The Town's proportion of the net pension liability was based on the Town's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2024. The Town's proportion measured as of June 30, 2024, was 0.03673%, which was an increase of 0.00071% from its proportion measured as of June 30, 2023.

Pension Expense and Deferred Outflows/Inflows of Resources

For the year ended June 30, 2025, the Town recognized pension expense for ASRS of \$788,243. At June 30, 2025, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Pension	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 328,068	\$ -
Changes of assumptions or other inputs	-	-
Net difference between projected and actual earnings on pension plan investments	-	375,333
Changes in proportion and differences between contributions and proportionate share of contributions	158,211	-
Contributions subsequent to the measurement date	<u>\$ 644,288</u>	<u>\$ -</u>
Total	<u>\$ 1,130,567</u>	<u>\$ 375,333</u>

The \$644,288 reported as deferred outflows of resources related to ASRS pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net liability in the year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized as expense as follows:

	Pension
Years ending June 30:	
2026	\$ (48,510)
2027	323,343
2028	(95,009)
2029	(68,878)
2030	-
Thereafter	-
	<u>\$ 110,946</u>

Actuarial Assumptions

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

ASRS:

Actuarial valuation date	June 30, 2023
Actuarial roll forward date	June 30, 2024
Actuarial cost method	Entry age normal
Investment rate of return	7.0%
Projected salary increases	2.9 - 8.4% for pensions/not applicable for OPEB
Inflation	2.3%
Permanent benefit increase	Included for pensions/not applicable for OPEB 2017 SRA Scale U-MP for pensions and health insurance premium benefit
Mortality rates	2012 GLDT for long-term disability
Recovery rate	Not applicable
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2020.

The long-term expected rate of return on ASRS pension plan investments was determined to be 7.0% 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 geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Geometric Real Rate of Return
Public equity	44%	4.48%
Credit	23%	4.40%
Real estate	17%	6.05%
Private equity	10%	6.11%
Interest rate sensitive	6%	-0.45%
Total	100%	

Discount Rate

At June 30, 2024, the discount rate used to measure the ASRS total pension liability was 7.0%. 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 liability.

Sensitivity of Town's Proportionate Share of the ASRS Net Pension Liability to Changes in the Discount Rate

The following table presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.0%) or one percentage point higher (8.0%) than the current rate:

ASRS	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Town's proportionate share of the net pension liability	\$ 8,999,429	\$ 5,877,353	\$ 3,275,375

Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in the separately issued ASRS financial report.

Public Safety Personnel Retirement System Plan

Description

Town police department employees who are regularly assigned hazardous duty, participate in the Public Safety Personnel Retirement System (PSPRS). Employees who were PSPRS members before July 1, 2017, participate in the agent multiple-employer defined benefit pension and health insurance premium benefit (OPEB) plans (PSPRS Tier 1 and 2 Risk Pool), and those who became PSPRS members on or after July 1, 2017, may elect to participate in the cost-sharing multiple employer Public Safety Personnel Defined Contribution Retirement Plan (PSPDCRP Tier 3 Risk Pool). The agent multiple-employer health insurance premium benefit OPEB plan and the cost-sharing multiple employer Public Safety Personnel Defined Contribution Retirement Plan are not further disclosed because of their relative insignificance to the Town's financial statements.

The PSPRS administers the agent multiple-employer defined benefit pension plan. A 9-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

The PSPRS issues a publicly available financial report that include their financial statements and required supplementary information. The report is available on the PSPRS website at www.psprs.com.

Benefits Provided

The PSPRS provide retirement, health insurance premium supplement, disability, and survivor benefits. State statute establishes benefits terms. Retirement, disability, and survivor benefits are calculated on the basis of age, average monthly compensation and service credit as follows:

Town of Chino Valley, Arizona

Notes to the Financial Statements
June 30, 2025

	Retirement Initial Membership Date:	
	Tier 1 - Before January 1, 2012	Tier 2 - On or after January 1, 2012 and before July 1, 2017
Years of service and age required to receive benefit	20 years of service, any age 15 years of service, age 62	15 years of service, age 52.5
Final average salary is based on	Highest 36 months of last 20 years	Highest 60 months of last 20 years
Normal retirement:	(Not to exceed 80%)	(Not to exceed 80%)
Less than 20 years of service	50% less 4.0% for each year under 20	1.5% to 2.0% per year of service
20-25 years of service	50% plus 2.0% for each year over 20	2.0% to 2.25% per year of service
25 or more years of service	50% plus 2.5% for each year over 20	2.5% per year of service
Accidental disability retirement	50% or normal retirement, whichever is greater	
Catastrophic disability retirement	90% for the first 60 months, then reduced to 62.5% or normal retirement, whichever is greater	
Ordinary disability retirement	Normal retirement with actual service or 20 years of service, whichever is greater, multiplied by years of service (not to exceed 20) divided by 20	
Survivor benefit - Retired members	80% to 100% of retired member's pension benefit	
Survivor benefit - Active members	80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job	

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on inflation. PSPRS also provides temporary disability benefits of 50% of the member's compensation for up to 12 months.

Health insurance premium benefits are available to retired or disabled members with five years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. Benefits range from \$100 per month to \$260 per month depending on the age of the member and dependents.

Employees Covered by Benefit Terms

At June 30, 2025, the following employees were covered by the agent plans' benefit terms:

	PSPRS Police
Inactive employees or beneficiaries currently receiving benefits	15
Inactive employees entitled to but not yet receiving benefits	6
Active employees	13
Total	<u>34</u>

Contributions

State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. 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.

Town of Chino Valley, Arizona

Notes to the Financial Statements
June 30, 2025

Contribution rates for the year ended June 30, 2025, are indicated below. Rates are a percentage of active members' annual covered payroll.

	PSPRS - Police	
	Tier 1/Tier 2	Tier 3
Active members - pension	7.65%	11.65%
Pension	30.55%	8.77%
Health insurance premium benefit	0.00%	0.12%

In addition, the Town was required by statute to contribute at the actuarially determined rate of 17.92% for Police of annual covered payroll of retired members who worked for the Town in positions that would typically fill and employees participating in the PSPRS Tier 3 Risk Pool and PSPDCRP members in addition to the Town's required contributions to the PSPRS Tier 3 Risk Pool and PSPDCRP.

The Town's contributions to the plans for the year ended June 30, 2025, were:

	PSPRS Police
Pension contributions made	\$ 1,261,350

During fiscal year 2025, the Town paid 100% of the PSPRS pension contributions from the General Fund.

Pension Liability

At June 30, 2025, the Town reported a PSPRS net pension liability of \$2,090,647.

The net assets and net liabilities were measured as of June 30, 2025, and the total liability used to calculate the net asset or liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

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

PSPRS:

Actuarial valuation date	June 30, 2024
Actuarial cost method	Entry age normal
Investment rate of return	7.20%
Projected salary increases	2.75%-15.00% for pensions/not applicable for OPEB
Inflation	2.5% for pensions/not applicable for OPEB
Permanent benefit increase	Included for pensions/not applicable for OPEB
Cost-of-Living Adjustment	1.85% for pensions/not applicable for OPEB
Mortality rates	PubS-2010 tables using MP-2021 improvement scale
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2024, valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2021.

Town of Chino Valley, Arizona

Notes to the Financial Statements
June 30, 2025

The long-term expected rate of return on PSPRS pension plan investments was determined to be 7.2% using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric 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 Geometric Real Rate of Return</u>
U.S. public equity	24%	3.62%
International public equity	16%	4.47%
Global private equity	27%	7.05%
Core bonds	6%	2.44%
Private credit	20%	6.24%
Diversifying strategies	5%	3.15%
Cash - Mellon	2%	0.89%
Total	<u>100%</u>	

Discount Rates

At June 30, 2025, the discount rate used to measure the PSPRS total pension liability was 7.2%. The projection of cash flows used to determine the PSPRS discount rates assumed that plan members contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. 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 liability.

Town of Chino Valley, Arizona

Notes to the Financial
Statements June 30, 2025

Changes in the Net Pension Liability

PSPRS Police	Pension Increase/(Decrease)		
	Total (Assets) Liability	Plan Fiduciary Net Position	Net (Assets) Liability
	(a)	(b)	(a)-(b)
Balances at June 30, 2024	\$ 12,932,714	\$ 9,655,862	\$ 3,276,852
Adjustment to Beginning of Year	-	-	-
Changes for the year:			
Service cost	226,510	-	226,510
Interest on the total liability	920,602	-	920,602
Differences between expected and actual experience	492,328	-	492,328
Changes of assumptions or other inputs	-	-	-
Contributions – employer	-	1,680,184	(1,680,184)
Contributions – employee	-	88,565	(88,565)
Net investment income	-	1,065,785	(1,065,785)
Benefit payments, including refunds of employee contributions	(746,176)	(746,176)	-
Administrative expense	-	(8,889)	8,889
Net changes	893,264	2,079,469	(1,186,205)
Balances at June 30, 2025	\$ 13,825,978	\$ 11,735,331	\$ 2,090,647

Sensitivity of the Town's Net Pension Liability to Changes in the Discount Rate

The following table presents the Town's net pension liability calculated using the discount rate of 7.2%, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.2%) or one percentage point higher (8.2%) than the current rate:

PSPRS Police	Current		
	1% Decrease (6.2%)	Discount Rate (7.2%)	1% Increase (8.2%)
Town's proportionate share of the net pension liability	\$ 3,890,701	\$ 2,090,647	\$ 616,001

Pension Plan Fiduciary Net Position

Detailed information about the plans' fiduciary net position is available in the separately issued PSPRS financial reports.

Pension Expense

For the year ended June 30, 2025, the Town recognized \$968,981 of PSPRS pension expense.

Pension Deferred Outflows/Inflows of Resources

At June 30, 2025, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PSPRS Police	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 956,732	\$ 72,631
Changes of assumptions or other inputs	36,498	-
Net difference between projected and actual earnings on pension plan investments	-	154,856
Contributions subsequent to the measurement date	\$ 1,261,350	\$ -
Total	<u>\$ 2,254,580</u>	<u>\$ 227,487</u>

The amounts reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net liability in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as expenses as follows:

	PSPRS Police
Years ending June 30:	
2026	\$ 305,398
2027	599,334
2028	(72,175)
2029	(66,814)
2030	-
Thereafter	-
	<u>\$ 765,743</u>

10. Risk Management

The Town 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 Town's insurance protection is provided by the Arizona Municipal Risk Retention Pool (AMRRP), of which the Town is a participating member. The limit for basic coverage is for \$2,000,000 per occurrence on a claims made basis. Excess coverage is for an additional \$8,000,000 per occurrence on a follow form, claims made basis. No significant reduction in insurance coverage occurred during the year and no settlements exceeded insurance coverage during any of the past three fiscal years. The AMRRP 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 Town also provides workers' compensation insurance coverage for its employees through AMRRP. Coverage is provided in accordance with the provisions of the Arizona Workers' Compensation Act. The Town pays an annual premium based on actual payroll, and the policy is retrospectively rated; additional premiums or refunds may be due depending on actual loss experience. The Town has not experienced any significant claims or losses in excess of insurance coverage during the past three fiscal years, and there have been no reductions in insurance coverage from the prior year.

11. Compensated Absences

The Town records a liability for compensated absences in accordance with GASB Statement No. 101, Compensated Absences, which became effective for the fiscal year ending June 30, 2025. The liability represents leave that has been earned but not yet used and is expected to be paid through future employee service or upon termination. The liability is measured based on leave balances at year-end, current pay rates, and applicable benefit loadings.

As a result of implementing GASB 101, the beginning net position of the governmental activities at July 1, 2024 was decreased by \$159,316 to reflect the difference between the liability previously reported under GASB 16 and the liability required under GASB 101. Business-type activities were decreased by \$10,401 for the same reason.

Sick-leave benefits provide for ordinary sick pay and are cumulative; hours in excess of 192 per employee are vested at 25 percent. The adjustment calculation considered the percentage of sick leave earned and used over the prior three fiscal years.

For the fiscal year ended June 30, 2025, governmental compensated absences increased by \$525,114 and decreased by \$464,609, resulting in an ending balance of \$848,425. The current portion, representing amounts expected to be used or paid within the next fiscal year, is estimated at \$527,000, based on the average percentage of compensated absences used over the prior three fiscal years.

For the fiscal year ended June 30, 2025, business-type compensated absences increased by \$55,895 and decreased by \$38,583, resulting in an ending balance of \$77,267. The current portion, representing amounts expected to be used or paid within the next fiscal year, is estimated at \$53,000, based on the average percentage of compensated absences used over the prior three fiscal years.

12. Certain Risk Disclosures

The Governmental Accounting Standards Board (GASB) issued Statement No. 102, Certain Risk Disclosures, which requires governments to disclose concentrations and constraints that could make them vulnerable to the risk of a substantial impact. This Statement is effective for fiscal years beginning after June 15, 2024.

Town of Chino Valley, Arizona

Notes to the Financial
Statements June 30, 2025

The Town has evaluated its financial operations and determined that it does not have concentrations of revenue or expense sources that meet the criteria for disclosure under GASB Statement No. 102.

The Town is, however, subject to constraints imposed by the State of Arizona that may limit its ability to raise or access resources:

Expenditure Limitation – The Arizona Constitution establishes an annual expenditure limitation for local governments. The limitation is based on actual expenditures reported in fiscal year 1980–81, adjusted annually for population and inflation factors. Each year, the Town must comply with this limitation unless voters approve a permanent base adjustment or adopt the alternative expenditure limitation, commonly referred to as the home rule option, which provides an override of the constitutional limitation for a four-year period. This constitutional constraint restricts the Town’s capacity to expand services or spending, even if revenues are available.

This constraint is ongoing in nature and could substantially impact the Town’s financial flexibility in future periods if expenditure growth or service demands exceed the statutory limits and the voters do not approve the limitation override.

13. Contingent Liabilities and Commitments

The Town is contingently liable with respect to lawsuits and other claims incidental to the ordinary course of its operations. In the opinion of Town management, based on the advice of the Town Attorney with respect to such litigation, such matters will not have a material adverse effect on the Town's financial position at June 30, 2025.

At year end, the Town had the following major construction projects and related commitments and estimated completion costs. The table below presents total contractual commitments, amounts expended to date, remaining commitments under contract, and estimated additional costs to complete certain projects currently reported as construction in progress.

	<u>Spent to Date</u>	<u>Remaining Commitment</u>	<u>Estimated Additional Costs (Not Yet Committed)</u>
Water Reclamation Facility Plant Improvements (including drying beds and equalization basin)	\$ 495,719	\$ 620,330	TBD
New Well and Pump	-	-	TBD
Del Rio Springs Stabilization	26,500	-	168,798
Yavapai College Sewer Line Extension	209,329	11,229	-
	<u>\$ 731,548</u>	<u>\$ 631,559</u>	<u>\$ 168,798</u>

The estimated additional costs represent anticipated future expenditures that have not yet been

Town of Chino Valley, Arizona

Notes to the Financial
Statements June 30, 2025

contractually committed but are expected to be required to complete the projects should the Town proceed with them as currently planned. For two of the largest projects, the estimated additional costs are shown as “TBD” (to be determined) because project design, scope, and funding sources are still being evaluated, and reliable cost estimates are not yet available.

14. Restatements of Beginning Balances

As described in Note 11, the Town implemented the provisions of GASB Statement No. 101, which resulted in a change in net position of the governmental and proprietary activities.

The effect of the matters noted above resulted in adjustments to and restatements of beginning net position and fund net position, as follows:

	June 30, 2024, As Previously Reported	Change in Accounting Principle	June 30, 2024, As Restated
Government-Wide			
Governmental activities	\$ 35,445,281	\$ (159,316)	\$ 35,285,965
Proprietary Funds			
Water	6,758,332	(4,788)	6,753,544
Sewer	6,925,685	(5,613)	6,920,072
Total	<u>\$ 49,129,298</u>	<u>\$ (169,717)</u>	<u>\$ 48,959,581</u>

Financial Section

Required Supplementary Information

Budgetary Schedules

General Fund

Highway User Revenue Fund (HURF)

Grants Fund

Pension Schedules



Town of Chino Valley, Arizona

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - GAAP Basis

Governmental Funds

For the Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance Between Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes - local:				
Transaction privilege taxes	\$ 9,058,000	\$ 9,058,000	\$ 8,929,089	\$ (128,911)
Franchise taxes	411,000	411,000	433,664	22,664
Total taxes - local	9,469,000	9,469,000	9,362,753	(106,247)
Licenses and permits:				
Building permits	173,000	173,000	165,314	(7,686)
Business licenses	70,000	70,000	50,155	(19,845)
Plan check fees	125,000	125,000	68,821	(56,179)
Other licenses and permits	12,500	12,500	4,270	(8,230)
Total licenses and permits	380,500	380,500	288,560	(91,940)
Intergovernmental:				
State shared transaction privilege tax	2,085,549	2,085,549	2,120,247	34,698
Urban revenue sharing	2,935,568	2,935,568	2,938,837	3,269
Auto-in-lieu	1,126,300	1,126,300	1,189,453	63,153
Yavapai County library funds	73,000	73,000	76,523	3,523
Police department grants	67,500	67,500	79,816	12,316
Senior nutrition grant	125,000	125,000	-	(125,000)
Total intergovernmental	6,412,917	6,412,917	6,404,876	(8,041)
Charges for services:				
Engineering fees	10,000	10,000	5,286	(4,714)
Senior nutrition program fees	1,500	1,500	233	(1,267)
Facility use fees	38,000	38,000	26,666	(11,334)
Police report fees	5,000	5,000	7,565	2,565
Aquatic center fees	52,000	52,000	71,335	19,335
Other charges for services	29,050	29,050	41,570	12,520
Total charges for services	135,550	135,550	152,655	17,105
Fines and forfeitures:				
Animal control fees	25,000	25,000	28,352	3,352
Library fines	1,000	1,000	1,769	769
Court fines and forfeitures	171,000	171,000	197,703	26,703
Total fines and forfeitures	197,000	197,000	227,824	30,824
Interest earnings	557,000	557,000	572,119	15,119
Other	35,000	35,000	85,126	50,126
Total revenues	17,186,967	17,186,967	17,093,913	(93,054)
EXPENDITURES				
Community Services				
Library	529,811	529,811	322,436	207,375
Recreation/Aquatics	650,722	650,722	489,685	161,037
Senior Center	797,787	797,787	680,707	117,080
Total Community Services	1,978,320	1,978,320	1,492,828	485,492

The required supplementary information notes to the budgetary schedules are an integral part of this statement.

Town of Chino Valley, Arizona

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - GAAP Basis

Governmental Funds

For the Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance Between Final Budget Positive (Negative)
	Original	Final		
Public Works				
Engineering	1,083,019	1,083,019	735,568	347,451
Facilities Maintenance	1,115,138	1,115,138	1,028,175	86,963
Fleet Maintenance	762,952	762,952	702,151	60,801
Parks Maintenance	992,471	992,471	875,572	116,899
Total Public Works	<u>3,953,580</u>	<u>3,953,580</u>	<u>3,341,466</u>	<u>612,114</u>
Development Services	1,577,176	1,577,176	1,128,846	448,330
Finance	614,071	614,071	609,100	4,971
Human Resources	687,320	687,320	589,949	97,371
Information Technology Services	707,837	707,837	612,352	95,485
Mayor and Council	81,800	81,800	77,365	4,435
Municipal Court	457,747	457,747	372,396	85,351
Non-Departmental	754,522	1,154,522	1,147,312	7,210
Police	6,522,205	6,522,205	5,941,268	580,937
Town Clerk	469,006	469,006	433,316	35,690
Town Manager	866,895	866,895	765,032	101,863
Contingency	650,000	250,000	-	250,000
Capital Asset Replacement	634,976	634,976	333,851	301,125
Court Improvements	17,200	17,200	19,135	(1,935)
Cemetery	9,300	9,300	4,100	5,200
AZ Cares/State and Local Fiscal Recovery	500,000	500,000	119,831	380,169
Total expenditures	<u>20,481,955</u>	<u>20,481,955</u>	<u>16,988,147</u>	<u>3,493,808</u>
Excess (deficiency) of revenues over expenditures	<u>(3,294,988)</u>	<u>(3,294,988)</u>	<u>105,766</u>	<u>(3,586,862)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	100,000	100,000	100,000	-
Transfers out	(100,000)	(100,000)	(100,000)	-
Sale of capital assets	5,000	5,000	38,809	33,809
Total other financing sources and uses	<u>5,000</u>	<u>5,000</u>	<u>38,809</u>	<u>33,809</u>
Net change in fund balances	(3,289,988)	(3,289,988)	144,575	(3,553,053)
Fund balances - beginning	<u>9,985,492</u>	<u>9,985,492</u>	<u>9,985,492</u>	<u>-</u>
Fund balances - ending	<u>\$ 6,695,504</u>	<u>\$ 6,695,504</u>	<u>\$ 10,130,067</u>	<u>\$ 3,434,563</u>

The required supplementary information notes to the budgetary schedules are an integral part of this statement.

Town of Chino Valley, Arizona

Highway User Revenue Fund - Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - GAAP Basis

Governmental Funds

For the Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance Between Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental:				
Highway user tax	\$ 1,397,894	\$ 1,397,894	\$ 1,379,698	\$ (18,196)
Licenses and permits	3,500	3,500	12,966	9,466
Interest earnings	15,000	15,000	21,166	6,166
Total revenues	<u>1,416,394</u>	<u>1,416,394</u>	<u>1,413,830</u>	<u>(2,564)</u>
EXPENDITURES				
Public Works				
Personnel services	734,756	734,756	721,150	13,606
Operating expenditures	489,250	489,250	294,460	194,790
Capital outlay	3,983,991	3,983,991	2,187,787	1,796,204
Total Public Works expenditures	<u>5,207,997</u>	<u>5,207,997</u>	<u>3,203,397</u>	<u>2,004,600</u>
Excess (deficiency) of revenues over expenditures	<u>(3,791,603)</u>	<u>(3,791,603)</u>	<u>(1,789,567)</u>	<u>2,002,036</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	5,975	5,975
Transfers in	1,200,000	1,200,000	1,200,000	-
Transfers out	(200,000)	(200,000)	(200,000)	-
Total other financing sources and uses	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,005,975</u>	<u>5,975</u>
Net change in fund balances	(2,791,603)	(2,791,603)	(783,592)	2,008,011
Fund balances - beginning	<u>4,857,311</u>	<u>4,857,311</u>	<u>4,857,311</u>	<u>-</u>
Fund balances - ending	<u>\$ 2,065,708</u>	<u>\$ 2,065,708</u>	<u>\$ 4,073,719</u>	<u>\$ 2,008,011</u>

The required supplementary information notes to the budgetary schedules are an integral part of this statement.

Town of Chino Valley, Arizona

Grant Fund - Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - GAAP Basis

Governmental Funds

For the Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final		
REVENUES				
Intergovernmental	\$ 3,903,816	\$ 3,903,816	\$ 744,385	\$ (3,159,431)
Other revenues	-	-	105,343	105,343
Total revenues	<u>3,903,816</u>	<u>3,903,816</u>	<u>849,728</u>	<u>(3,054,088)</u>
EXPENDITURES				
Current:				
General government	3,500,000	3,500,000	1,202	3,498,798
Public safety	-	-	163,865	(163,865)
Culture and recreation	-	-	1,563	(1,563)
Health and welfare	-	-	134,376	(134,376)
Capital outlay	403,816	403,816	391,486	12,330
Total expenditures	<u>3,903,816</u>	<u>3,903,816</u>	<u>692,492</u>	<u>3,211,324</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>157,236</u>	<u>157,236</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	157,236	157,236
Fund balances - beginning	<u>410,429</u>	<u>410,429</u>	<u>410,429</u>	<u>-</u>
Fund balances - ending	<u>\$ 410,429</u>	<u>\$ 410,429</u>	<u>\$ 567,665</u>	<u>\$ 157,236</u>

The required supplementary information notes to the budgetary schedules are an integral part of this statement.

1. Budgeting and Budgetary Control

A.R.S. requires the Town to prepared and adopt a balanced budget annually for each governmental fund. The Town Council must approve such operating budgets on or before the third Monday in July to allow sufficient time for the legal announcements and hearings required for the adoption of the property tax levy on the third Monday in August. A.R.S. prohibits expenditures or liabilities in excess of the amounts budgeted. Expenditures may not legally exceed appropriations at the department level for the General Fund and the fund level for all other funds. In certain instances, transfers of appropriations between departments or the contingency amount to a department may be made on the Town Councils' approval.

2. Budgetary Basis of Accounting

The Town's budget is prepared on a basis consistent with generally accepted accounting principles.

Town of Chino Valley, Arizona
Required Supplementary Information
Schedule of Town's Proportionate Share of the Net Pension Liability
Arizona State Retirement System

	Reporting Fiscal Year (Measurement Year)			
	2025 (2024)	2024 (2023)	2023 (2022)	2022 (2021)
Town's proportion of the net pension liability	0.036732%	0.036021%	0.034187%	0.031754%
Town's proportionate share of the net pension liability	\$ 5,877,353	\$ 5,828,556	\$ 5,580,567	\$ 4,171,809
Town's covered payroll	5,135,528	4,702,047	4,069,675	3,569,665
Town's proportionate share of the net pension liability as a percentage of covered payroll	114.44%	123.96%	137.13%	116.87%
Plan fiduciary net position as a percentage of the total pension liability	75.47%	74.26%	78.58%	69.33%

See accompanying notes to the schedule.

Ended June 30,

	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)
	0.033207%	0.032261%	0.032241%	0.031290%	0.032955%	0.032084%
\$	5,754,137 3,613,757	\$ 4,694,205 3,402,406	\$ 4,496,345 3,204,716	\$ 4,874,372 3,052,022	\$ 5,318,461 3,085,659	\$ 4,997,476 2,678,714
	159.23%	137.97%	140.30%	159.71%	172.36%	186.56%
	73.24%	73.40%	69.92%	67.06%	68.35%	69.92%

See accompanying notes to the schedule.

Town of Chino Valley, Arizona

Required Supplementary Information

Schedule of Contributions

Arizona State Retirement System

	Reporting Fiscal Year			
	2025	2024	2023	2022
Statutorily required contribution	\$ 644,288	\$ 617,804	\$ 560,484	\$ 488,768
Contributions in relation to the actuarially required contribution	<u>644,288</u>	<u>617,804</u>	<u>560,484</u>	<u>488,768</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	\$ 5,346,788	\$ 5,135,528	\$ 4,702,047	\$ 4,069,675
Contributions as a percentage of covered payroll	12.05%	12.03%	11.92%	12.01%

Schedule of Contributions

Public Safety Personnel Retirement System

	Reporting Fiscal Year			
	2025	2024	2023	2022
Statutorily required contribution	\$ 611,350	\$ 480,184	\$ 491,066	\$ 466,336
Contributions in relation to the actuarially required contribution	<u>1,261,350</u>	<u>1,680,184</u>	<u>891,066</u>	<u>866,336</u>
Contribution deficiency (excess)	<u>\$ (650,000)</u>	<u>\$ (1,200,000)</u>	<u>\$ (400,000)</u>	<u>\$ (400,000)</u>
Town's covered payroll	\$ 1,239,978	\$ 1,151,829	\$ 1,052,753	\$ 986,072
Contributions as a percentage of covered payroll	101.72%	145.87%	84.64%	87.86%

See accompanying notes to the schedule.

Ended June 30,

<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
\$ 415,866	\$ 415,582	\$ 380,389	\$ 349,314	\$ 329,008	\$ 334,794
<u>415,866</u>	<u>415,582</u>	<u>380,389</u>	<u>349,314</u>	<u>329,008</u>	<u>334,794</u>
<u>\$ -</u>					
\$ 3,569,665	\$ 3,613,757	\$ 3,402,406	\$ 3,204,716	\$ 3,052,022	\$ 3,085,659
11.65%	11.50%	11.18%	10.90%	10.78%	10.85%

Ended June 30,

<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
\$ 398,401	\$ 726,124	\$ 801,902	\$ 788,908	\$ 279,960	\$ 269,502
<u>698,401</u>	<u>726,124</u>	<u>801,902</u>	<u>788,908</u>	<u>279,960</u>	<u>269,502</u>
<u>\$ (300,000)</u>	<u>\$ -</u>				
\$ 1,041,206	\$ 1,154,142	\$ 1,201,492	\$ 1,332,956	\$ 1,204,435	\$ 1,145,504
67.08%	62.91%	66.74%	59.18%	23.24%	23.53%

See accompanying notes to the schedule.

Town of Chino Valley, Arizona

Schedule of Changes in the Net Pension Liability and Related Ratios

Schedule of PSPRS Contributions

	Reporting Fiscal Year (Measurement Year)			
	2025 (2024)	2024 (2023)	2023 (2022)	2022 (2021)
Total pension liability				
Service cost	\$ 226,510	\$ 200,263	\$ 207,742	\$ 224,490
Interest on the total pension liability	920,602	802,381	790,005	763,758
Benefit changes	-	-	-	-
Differences between expected & actual exp.	492,328	1,257,028	(290,524)	(137,561)
Assumption changes	-	-	145,991	-
Benefit payments*	(746,176)	(541,761)	(505,319)	(443,467)
Net change in total pension liability	893,264	1,717,911	347,895	407,220
Total pension liability - beginning	12,932,714	11,214,803	10,866,908	10,459,688
Total pension liability - ending	<u>\$ 13,825,978</u>	<u>\$ 12,932,714</u>	<u>\$ 11,214,803</u>	<u>\$ 10,866,908</u>
Plan fiduciary net position				
Employer contributions	\$ 1,680,184	\$ 891,066	\$ 866,336	\$ 698,401
Employee contributions	88,565	105,186	99,139	227,328
Net investment income	1,065,785	658,488	(333,819)	1,758,652
Benefit payments*	(746,176)	(541,761)	(505,319)	(443,467)
Hall/Parker settlement	-	-	(6,022)	-
Administrative expense	(8,889)	(6,480)	-	(8,269)
Other	-	-	-	-
Net change in plan fiduciary net position	2,079,469	1,106,499	120,315	2,232,645
Plan fiduciary net position - beginning	9,655,862	8,549,363	8,429,048	6,196,403
Adjustment to beginning balance	-	-	-	-
Plan fiduciary net position - ending	<u>\$ 11,735,331</u>	<u>\$ 9,655,862</u>	<u>\$ 8,549,363</u>	<u>\$ 8,429,048</u>
Net pension liability - ending	<u>\$ 2,090,647</u>	<u>\$ 3,276,852</u>	<u>\$ 2,665,440</u>	<u>\$ 2,437,860</u>
Plan fiduciary net position as a percentage of the total pension liability	84.88%	74.66%	76.23%	77.57%
Covered valuation payroll	\$ 1,151,829	\$ 1,052,753	\$ 986,072	\$ 1,041,206
Net pension liability as a percentage of covered valuation payroll	181.51%	311.27%	270.31%	234.14%

* Including refunds of employee contributions

See accompanying notes to the schedule.

Ended June 30,

2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)
\$ 239,935	\$ 284,666	\$ 264,059	\$ 272,925	\$ 220,166	\$ 208,414
657,645	652,210	599,204	556,565	533,567	508,300
-	-	-	116,070	361,211	-
1,039,150	(307,346)	216,311	107,301	(230,538)	(13,006)
-	159,605	-	240,439	269,553	-
(491,897)	(606,521)	(425,306)	(799,457)	(313,564)	(461,853)
1,444,833	182,614	654,268	493,843	840,395	241,855
9,014,855	8,832,241	8,177,973	7,684,130	6,843,735	6,601,880
<u>\$ 10,459,688</u>	<u>\$ 9,014,855</u>	<u>\$ 8,832,241</u>	<u>\$ 8,177,973</u>	<u>\$ 7,684,130</u>	<u>\$ 6,843,735</u>
\$ 726,124	\$ 801,902	\$ 788,908	\$ 279,960	\$ 269,502	\$ 243,794
114,939	122,179	131,038	136,758	145,561	143,622
73,989	283,743	313,163	497,699	24,661	149,207
(491,897)	(606,521)	(425,306)	(799,457)	(313,564)	(461,853)
-	-	(161,922)	-	-	-
(6,035)	(5,930)	(5,466)	(4,804)	(3,949)	(4,019)
-	-	149,623	(10,122)	(49,347)	3,414
417,120	595,373	790,038	100,034	72,864	74,165
5,779,283	5,185,682	4,395,644	4,295,610	4,222,746	4,148,581
-	(1,772)	-	-	-	-
<u>\$ 6,196,403</u>	<u>\$ 5,779,283</u>	<u>\$ 5,185,682</u>	<u>\$ 4,395,644</u>	<u>\$ 4,295,610</u>	<u>\$ 4,222,746</u>
<u>\$ 4,263,285</u>	<u>\$ 3,235,572</u>	<u>\$ 3,646,559</u>	<u>\$ 3,782,329</u>	<u>\$ 3,388,520</u>	<u>\$ 2,620,989</u>
59.24%	64.11%	58.71%	53.75%	55.90%	61.70%
\$ 1,154,142	\$ 1,201,492	\$ 1,332,956	\$ 1,204,435	\$ 1,145,504	\$ 1,177,679
369.39%	269.30%	273.57%	314.03%	295.81%	222.56%

See accompanying notes to the schedule.

Town of Chino Valley, Arizona

Required Supplementary Information
Notes to the Pension Schedules
Year Ended June 30, 2025

1. Actuarially Determined Contribution Rates

Actuarial determined contribution rates for PSPRS are calculated as of June 30 two years prior to the end of the fiscal year in which contributions are made. The actuarial methods and assumptions used to establish the contribution requirements are as follows:

Actuarial cost method	Entry age normal
Amortization method	Level percent of pay, closed
Remaining amortization period as of the 2022 actuarial valuation	18 years for under funded 19 years for over funded
Asset valuation method	Seven-year smoothed fair value; 80%/120% market corridor

Actuarial assumptions:

Investment rate of return	PSPRS members with initial membership date before July 1, 2017: In the 2022 actuarial valuation, the investment rate of return was decreased from 7.3% to 7.2%. In the 2019 actuarial valuation, the investment rate of return was decreased from 7.4% to 7.3%. In the 2017 actuarial valuation, the investment rate of return was decreased from 7.5% to 7.4%. In the 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.5%. In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%.
Projected salary increases	In the 2017 actuarial valuation, projected salary increase were decreased from 4.0%-8.0% to 3.5%-7.5% for PSPRS. In the 2014 actuarial valuation, projected salary increases were decreased from 4.5%-8.5% to 4.0% - 8.0% for PSPRS. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%-9.0% to 4.5%-8.5% for PSPRS.
Wage growth	In the 2022 actuarial valuation, wage growth was changed from 3.5% to a range of 3.0 - 6.25% for PSPRS. In the 2017 actuarial valuation, wage growth was decreased from 4% to 3.5% for PSPRS. In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0% for PSPR. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5% for PSPRS and CORP
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006-June 30, 2011
Mortality	In the 2019 actuarial valuation, changed to PubS-2010 tables, with 75% of MP-2016 fully generational projection scales. RP-2000 mortality table (adjusted by 105% for both males and females)

2. Factors That Affect Trends

Arizona courts have ruled that provisions of a 2011 law that changed the mechanism for funding permanent pension benefit increases and increased employee pension contribution rates were unconstitutional or a breach of contract because those provisions apply to individuals who were members as of the law's effective date. As a result, the PSPRS changed benefit terms to reflect the prior mechanism for funding permanent benefit increases for those members and revised actuarial assumptions to explicitly value future permanent benefit increases. PSPRS also reduced those members' employee contribution rates.

These changes are reflected in the plans' pension liabilities for fiscal year 2015 (measurement date 2014) for members who were retired as of the law's effective date and fiscal year 2018 (measurement date 2017) for members who retired or will retire after the law's effective date. These changes also increased the PSPRS-required pension contributions beginning in fiscal year 2016 for members who were retired as of the law's effective date. These changes will increase the PSPRS-required contributions beginning in fiscal year 2019 for members who retired or will retire after the law's effective date. Also, the Town refunded excess employee contributions to PSPRS members. PSPRS allowed the Town to reduce its actual employer contributions for the refund amounts.



Financial Section

Supplementary Information

Nonmajor Governmental Funds Financial Statements

Special Revenue Funds

Street Lighting Improvement District Fund - This fund accounts for property taxes charged in an amount sufficient to cover expenditures associated with three street lighting districts within the Town.

Maintenance Improvement District Fund - This fund accounts for property taxes charged in an amount sufficient to cover landscape maintenance of drainage areas associated with the Del Sol development within the Town.



Town of Chino Valley, Arizona

Combining Balance Sheet

Non-major Governmental Funds

June 30, 2025

	Improvement Districts		Total Non-major Governmental Funds
	Street Lighting Improvement District	Maintenance Improvement District	
ASSETS			
Cash and cash equivalents	\$ 185	\$ 482	\$ 667
Restricted cash and investments	-	-	-
Receivables:			
Accounts receivable	77	81	158
Intergovernmental	-	-	-
Leases receivable	-	-	-
Due from other funds	-	-	-
Prepaid items	-	-	-
Total assets	\$ 262	\$ 563	\$ 825
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ 101	\$ 101
Court bonds	-	-	-
Accrued liabilities	-	-	-
Accrued wages and benefits	-	-	-
Interest payable	-	-	-
Customer deposits	-	-	-
Unearned revenue	-	-	-
Due to other funds	-	-	-
Total liabilities	-	101	101
Deferred inflows of resources:			
Deferred inflows related to leases	-	-	-
Fund balances:			
Nonspendable:			
Prepaid items	-	-	-
Restricted for:			
Highways and streets	262	462	724
Debt service	-	-	-
Public safety	-	-	-
Assigned:			
Capital improvements	-	-	-
Unassigned	-	-	-
Total fund balances	262	462	724
Total liabilities, deferred inflows of resources and fund balances	\$ 262	\$ 563	\$ 825

Town of Chino Valley, Arizona

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Non-major Governmental Funds

For the Year Ended June 30, 2025

	<u>Improvement Districts</u>		Total Non-major Governmental Funds
	Street Lighting Improvement District	Maintenance Improvement District	
REVENUES			
Taxes - local	\$ -	\$ -	\$ -
Taxes - intergovernmental	-	-	-
Taxes - property	4,330	506	4,836
Charges for services	-	-	-
Fines and forfeitures	-	-	-
Interest earnings	-	-	-
Contributions	-	-	-
Total revenues	<u>4,330</u>	<u>506</u>	<u>4,836</u>
EXPENDITURES			
Current:			
General government	-	-	-
Public safety	-	-	-
Culture and recreation	-	-	-
Highways and streets	4,594	44	4,638
Health and welfare	-	-	-
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Capital outlay	-	-	-
Total expenditures	<u>4,594</u>	<u>44</u>	<u>4,638</u>
Excess (deficiency) of revenues over expenditures	<u>(264)</u>	<u>462</u>	<u>198</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(264)	462	198
Fund balances - beginning	526	-	526
Fund balances - ending	<u>\$ 262</u>	<u>\$ 462</u>	<u>\$ 724</u>

Financial Section

Supplementary Information

**Budgetary Schedules
Major Governmental Fund Financial Statements**



Town of Chino Valley, Arizona

Debt Service Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - GAAP Basis

Governmental Funds

For the Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final		
REVENUES				
Interest earnings	\$ -	\$ -	\$ 1,008	\$ 1,008
Total revenues	-	-	1,008	1,008
EXPENDITURES				
Debt service:				
Principal	779,724	779,724	779,728	(4)
Interest and fiscal charges	501,755	501,755	484,762	16,993
Total expenditures	1,281,479	1,281,479	1,264,490	16,989
Excess (deficiency) of revenues over expenditures	(1,281,479)	(1,281,479)	(1,263,482)	17,997
OTHER FINANCING SOURCES (USES)				
Transfers in	1,281,479	1,281,479	777,981	(503,498)
Total other financing sources	1,281,479	1,281,479	777,981	(503,498)
Net change in fund balances	-	-	(485,501)	(485,501)
Fund balances - beginning	485,501	485,501	485,501	-
Fund balances - ending	\$ 485,501	\$ 485,501	\$ -	\$ (485,501)

Town of Chino Valley, Arizona

Capital Improvements Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - GAAP Basis

Governmental Funds

For the Year Ended June 30, 2025

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance Between Final Budget and Actual Amounts Budgetary Basis</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Transaction privilege tax - local	\$ 3,025,300	\$ 3,025,300	\$ 2,976,363	\$ (48,937)
Intergovernmental revenues	140,000	140,000	-	(140,000)
Other revenue	2,600,000	2,600,000	-	(2,600,000)
Total revenues	<u>5,765,300</u>	<u>5,765,300</u>	<u>2,976,363</u>	<u>(2,788,937)</u>
EXPENDITURES				
Capital outlay	<u>5,194,455</u>	<u>5,194,455</u>	<u>1,541,969</u>	<u>3,652,486</u>
Total expenditures	<u>5,194,455</u>	<u>5,194,455</u>	<u>1,541,969</u>	<u>3,652,486</u>
Excess (deficiency) of revenues over expenditures	<u>570,845</u>	<u>570,845</u>	<u>1,434,394</u>	<u>863,549</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(2,901,479)	(2,901,479)	(2,397,981)	503,498
Total other financing sources and uses	<u>(2,901,479)</u>	<u>(2,901,479)</u>	<u>(2,397,981)</u>	<u>503,498</u>
Net change in fund balances	(2,330,634)	(2,330,634)	(963,587)	1,367,047
Fund balances - beginning	<u>2,865,701</u>	<u>2,865,701</u>	<u>2,865,701</u>	<u>-</u>
Fund balances - ending	<u>\$ 535,067</u>	<u>\$ 535,067</u>	<u>\$ 1,902,114</u>	<u>\$ 1,367,047</u>

Financial Section

Supplementary Information

Budgetary Schedules Nonmajor Governmental Fund Financial Statements



Town of Chino Valley, Arizona

Street Lighting Improvement District Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - GAAP Basis

Governmental Funds

For the Year Ended June 30, 2025

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance Between Final Budget and Actual Amounts Budgetary Basis</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes - property	\$ 4,450	\$ 4,450	\$ 4,330	\$ (120)
Total revenues	<u>4,450</u>	<u>4,450</u>	<u>4,330</u>	<u>(120)</u>
EXPENDITURES				
Public works/streets	<u>4,350</u>	<u>4,350</u>	<u>4,594</u>	<u>(244)</u>
Total expenditures	<u>4,350</u>	<u>4,350</u>	<u>4,594</u>	<u>(244)</u>
Excess (deficiency) of revenues over expenditures	<u>100</u>	<u>100</u>	<u>(264)</u>	<u>(364)</u>
Fund balances - beginning	<u>526</u>	<u>526</u>	<u>526</u>	<u>-</u>
Fund balances - ending	<u>\$ 626</u>	<u>\$ 626</u>	<u>\$ 262</u>	<u>\$ (364)</u>

Town of Chino Valley, Arizona

Maintenance Improvement District Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - GAAP Basis

Governmental Funds

For the Year Ended June 30, 2025

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance Between Final Budget and Actual Amounts Budgetary Basis</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes - property	\$ 2,700	\$ 2,700	\$ 506	\$ (2,194)
Total revenues	<u>2,700</u>	<u>2,700</u>	<u>506</u>	<u>(2,194)</u>
EXPENDITURES				
Public works	<u>2,600</u>	<u>2,600</u>	<u>44</u>	<u>2,556</u>
Total expenditures	<u>2,600</u>	<u>2,600</u>	<u>44</u>	<u>2,556</u>
Excess (deficiency) of revenues over expenditures	<u>100</u>	<u>100</u>	<u>462</u>	<u>362</u>
Fund balances - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - ending	<u>\$ 100</u>	<u>\$ 100</u>	<u>\$ 462</u>	<u>\$ 362</u>

Statistical Section

Contents	Page
Financial Trends These schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.	112-119
Revenue Capacity These schedules contain information to help the reader assess the Town's most significant local revenue sources, property tax and transaction privilege and use taxes.	120-129
Debt Capacity These schedules present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future.	130-137
Demographic and Economic Statistics These schedules offer economic and demographic indicators to help the reader understand the environment within which the Town's financial activities take place.	138-140
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the Town's financial report relates to the services the Town provides and the activities it performs.	142-147

Sources: Unless otherwise noted, the information in these schedules is derived from the annual comprehensive financial reports for the relevant year.

Town of Chino Valley, Arizona

Net Position by Component

Last Ten Fiscal Years

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Governmental Activities				
Net investment in capital assets:	\$ 5,424,332	\$ 6,027,754	\$ 6,693,892	\$ 7,499,509
Restricted	1,327,962	1,769,920	2,355,810	1,445,551
Unrestricted	<u>(394,472)</u>	<u>(154,836)</u>	<u>666,822</u>	<u>2,542,035</u>
 Total governmental activities net position	 <u>6,357,822</u>	 <u>7,642,838</u>	 <u>9,716,524</u>	 <u>11,487,095</u>
Business-Type Activities				
Net investment in capital assets:	16,077,901	16,106,276	15,502,227	14,958,858
Restricted	482,116	588,280	730,932	870,202
Unrestricted	<u>(4,665,739)</u>	<u>(4,782,941)</u>	<u>(3,812,291)</u>	<u>(3,407,128)</u>
 Total business-type activities net position	 <u>11,894,278</u>	 <u>11,911,615</u>	 <u>12,420,868</u>	 <u>12,421,932</u>
Primary Government				
Net investment in capital assets:	21,502,233	22,134,030	22,196,119	22,458,367
Restricted	1,810,078	2,358,200	3,086,742	2,315,753
Unrestricted	<u>(5,060,211)</u>	<u>(4,937,777)</u>	<u>(3,145,469)</u>	<u>(865,093)</u>
	<u><u>\$ 18,252,100</u></u>	<u><u>\$ 19,554,453</u></u>	<u><u>\$ 22,137,392</u></u>	<u><u>\$ 23,909,027</u></u>

2020	2021	2022	2023	2024	2025
\$ 8,791,146	\$ 9,405,857	\$ 12,627,404	\$ 14,916,791	\$ 21,370,222	\$ 25,137,425
1,500,148	3,018,753	5,961,508	5,922,383	5,560,431	4,977,588
4,478,169	5,645,322	7,890,203	10,383,754	8,514,628	6,404,925
<u>14,769,463</u>	<u>18,069,932</u>	<u>26,479,115</u>	<u>31,222,928</u>	<u>35,445,281</u>	<u>36,519,938</u>
14,524,764	14,879,202	15,389,102	16,594,860	16,970,838	17,597,106
1,004,070	1,094,561	919,404	953,724	1,005,585	1,053,187
<u>(3,316,066)</u>	<u>(3,494,538)</u>	<u>(3,526,832)</u>	<u>(4,010,039)</u>	<u>(4,292,406)</u>	<u>(3,242,895)</u>
<u>12,212,768</u>	<u>12,479,225</u>	<u>12,781,674</u>	<u>13,538,545</u>	<u>13,684,017</u>	<u>15,407,398</u>
23,315,910	24,285,059	28,016,506	31,511,651	38,341,060	42,734,531
2,504,218	4,113,314	6,880,912	6,876,107	6,566,016	6,030,775
1,162,103	2,150,784	4,363,371	6,373,715	4,222,222	3,162,030
<u>\$ 26,982,231</u>	<u>\$ 30,549,157</u>	<u>\$ 39,260,789</u>	<u>\$ 44,761,473</u>	<u>\$ 49,129,298</u>	<u>\$ 51,927,336</u>

Town of Chino Valley, Arizona

Changes in Net Position

Last Ten Fiscal Years

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Net (Expense) Revenue				
Governmental activities	\$ (7,606,435)	\$ (7,482,665)	\$ (7,648,079)	\$ (8,945,107)
Business-type activities	(858,481)	(338,046)	389,282	(82,249)
Total primary government net expense	<u>(8,464,916)</u>	<u>(7,820,711)</u>	<u>(7,258,797)</u>	<u>(9,027,356)</u>
General Revenues and Other Changes in Net Position				
Governmental activities:				
Town transaction privilege tax	5,455,413	5,603,710	6,312,095	7,009,864
State transaction privilege tax	1,022,547	1,020,252	1,084,425	1,179,854
Auto lieu tax	680,388	712,352	766,485	826,894
State income tax-revenue sharing	1,302,365	1,362,532	1,393,419	1,417,474
Property tax	3,994	3,996	3,999	2,575
Franchise tax	136,036	117,715	124,327	127,155
Unrestricted investment earnings	8,486	22,124	62,015	151,862
Miscellaneous	-	-	-	-
Gain on sale of assets	-	-	-	-
Transfers	(150,000)	(75,000)	(25,000)	-
Total governmental activities	<u>8,459,229</u>	<u>8,767,681</u>	<u>9,721,765</u>	<u>10,715,678</u>
Business-type activities:				
Unrestricted Investment Earnings	1,671	2,724	8,504	19,270
Miscellaneous	-	-	-	-
Grants and Contributions not restricted:				
Gain on Sale of Assets	-	-	-	64,043
Special items	382,500	277,659	86,467	-
Transfers	150,000	75,000	25,000	-
Total business-type activities	<u>534,171</u>	<u>355,383</u>	<u>119,971</u>	<u>83,313</u>
Total primary government	<u>8,993,400</u>	<u>9,123,064</u>	<u>9,841,736</u>	<u>10,798,991</u>
Change in Net Position				
Governmental activities	852,794	1,285,016	2,073,686	1,770,571
Business-type activities	(324,310)	17,337	509,253	1,064
Total primary government	<u>\$ 528,484</u>	<u>\$ 1,302,353</u>	<u>\$ 2,582,939</u>	<u>\$ 1,771,635</u>

<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
\$ (8,578,402)	\$ (10,456,595)	\$ (6,925,459)	\$ (12,374,293)	\$ (14,897,663)	\$ (16,349,585)
(269,059)	212,230	(18,558)	(821,853)	(922,073)	(46,953)
<u>(8,847,461)</u>	<u>(10,244,365)</u>	<u>(6,944,017)</u>	<u>(13,196,146)</u>	<u>(15,819,736)</u>	<u>(16,396,538)</u>
7,962,355	9,326,248	10,615,250	11,789,069	11,712,759	11,905,452
1,243,034	1,467,611	1,834,785	1,994,400	2,066,470	2,120,247
852,404	1,049,654	1,016,479	1,098,783	1,104,694	1,189,453
1,552,162	1,768,560	1,700,042	2,559,453	3,622,169	2,938,837
5,297	4,247	4,098	3,891	3,900	4,836
136,263	136,335	132,509	378,733	397,097	433,664
109,255	4,409	20,360	568,181	804,688	594,293
-	-	266,119	171,614	346,242	85,126
-	-	-	17,950	46,997	44,784
-	-	(255,000)	(1,463,968)	(985,000)	(1,733,134)
<u>11,860,770</u>	<u>13,757,064</u>	<u>15,334,642</u>	<u>17,118,106</u>	<u>19,120,016</u>	<u>17,583,558</u>
14,076	491	1,843	34,319	51,862	47,601
-	-	64,164	71,337	30,683	-
45,819	-	-	9,100	-	-
-	53,736	-	-	-	-
-	-	255,000	1,463,968	985,000	1,733,134
<u>59,895</u>	<u>54,227</u>	<u>321,007</u>	<u>1,578,724</u>	<u>1,067,545</u>	<u>1,780,735</u>
<u>11,920,665</u>	<u>13,811,291</u>	<u>15,655,649</u>	<u>18,696,830</u>	<u>20,187,561</u>	<u>19,364,293</u>
3,282,368	3,300,469	8,409,183	4,743,813	4,222,353	1,233,973
(209,164)	266,457	302,449	756,871	145,472	1,733,782
<u>\$ 3,073,204</u>	<u>\$ 3,566,926</u>	<u>\$ 8,711,632</u>	<u>\$ 5,500,684</u>	<u>\$ 4,367,825</u>	<u>\$ 2,967,755</u>

Town of Chino Valley, Arizona

Fund Balances of Governmental Funds

Last Ten Fiscal Years

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
General Fund				
Nonspendable	\$ 43,818	\$ 1,302,226	\$ 327,562	\$ 129,873
Restricted	322,353	114,330	140,339	149,717
Assigned	-	192,946	250,027	329,870
Unassigned	<u>5,064,810</u>	<u>4,575,991</u>	<u>6,591,840</u>	<u>7,731,346</u>
Total general fund	<u>5,430,981</u>	<u>6,185,493</u>	<u>7,309,768</u>	<u>8,340,806</u>
All Other Governmental Funds				
Restricted:				
Highways and streets	456,204	760,071	953,266	771,662
Capital improvements	-	-	-	-
Development impact fees	566,191	523,122	510,575	25
Debt service	128,707	457,027	455,795	457,683
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Public safety	46,099	59,428	45,698	55,606
Other purposes	40,385	32,354	11,601	10,858
Assigned for:				
Capital improvements	683,648	919,592	1,121,632	1,048,679
Unassigned	<u>109</u>	<u>(631,902)</u>	<u>-</u>	<u>(761)</u>
Total all other governmental funds	<u>\$ 1,921,343</u>	<u>\$ 2,119,692</u>	<u>\$ 3,098,567</u>	<u>\$ 2,343,752</u>

<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
\$ 19,525	\$ 509,682	\$ 6,057	\$ 11,654	\$ 4,169	\$ 54,615
131,298	150,460	161,436	197,300	217,093	335,480
389,082	478,217	536,714	809,814	989,385	449,825
7,816,055	8,487,272	14,087,857	12,857,038	8,774,845	9,290,147
<u>8,355,960</u>	<u>9,625,631</u>	<u>14,792,064</u>	<u>13,875,806</u>	<u>9,985,492</u>	<u>10,130,067</u>
838,013	2,279,389	2,390,222	4,975,449	4,857,311	4,074,443
-	-	2,733,621	-	-	-
-	-	-	-	-	-
457,464	473,817	483,750	480,708	485,501	-
-	-	-	-	-	34,740
-	-	-	-	-	120
57,744	79,177	159,449	244,488	-	532,805
15,629	35,910	33,030	24,438	526	-
2,976,407	3,056,538	2,236,421	2,478,888	2,865,701	1,902,114
-	-	-	-	410,429	-
<u>\$ 4,345,257</u>	<u>\$ 5,924,831</u>	<u>\$ 8,036,493</u>	<u>\$ 8,203,971</u>	<u>\$ 8,619,468</u>	<u>\$ 6,544,222</u>

Town of Chino Valley, Arizona

Changes in Fund Balance of Governmental Funds Last Ten Fiscal Years

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Revenues				
Taxes	\$ 5,595,443	\$ 5,725,421	\$ 6,440,421	\$ 7,139,594
Licenses and permits	352,447	561,146	709,765	451,287
Intergovernmental	4,906,700	5,185,879	5,868,265	4,941,428
Charges for services	122,960	115,633	124,458	135,913
Fines and forfeitures	247,977	296,591	275,315	234,992
Impact fees	-	-	-	20
Interest	8,486	22,124	62,015	151,862
Other revenues	54,354	37,343	88,291	176,377
	<u>11,288,367</u>	<u>11,944,137</u>	<u>13,568,530</u>	<u>13,231,473</u>
Expenditures				
Current:				
General government	3,913,936	3,900,208	3,937,694	4,466,270
Public safety	2,727,591	2,935,355	3,322,163	3,441,879
Highways and streets	731,692	524,963	756,057	958,368
Culture and recreation	964,652	988,361	1,055,044	1,115,363
Health and welfare	402,424	316,045	361,111	309,899
Capital outlay	1,069,811	1,727,192	1,916,593	1,550,908
Debt service:				
Principal	3,960,916	127,603	534,791	734,593
Interest	504,370	398,680	403,861	389,222
Debt issuance cost	65,714	-	2,000	-
	<u>14,341,106</u>	<u>10,918,407</u>	<u>12,289,314</u>	<u>12,966,502</u>
Revenues over (under) expenditures	<u>(3,052,739)</u>	<u>1,025,730</u>	<u>1,279,216</u>	<u>264,971</u>
Other Finance Sources (Uses)				
Refunding bonds issued	-	-	-	-
Lease agreements	-	-	711,464	-
Sale of Assets	6,560	2,131	137,470	11,252
Pledged revenue bonds issued	3,346,000	-	-	-
Premium on bonds	-	-	-	-
Payment to refunded debt escrow agent	-	-	-	-
Transfers in	1,095,167	1,252,000	1,173,000	2,085,706
Transfers out	(1,245,167)	(1,327,000)	(1,198,000)	(2,085,706)
	<u>3,202,560</u>	<u>(72,869)</u>	<u>823,934</u>	<u>11,252</u>
Net change in fund balances	<u>\$ 149,821</u>	<u>\$ 952,861</u>	<u>\$ 2,103,150</u>	<u>\$ 276,223</u>
Debt Service as a Percentage of				
Noncapital Expenditures	34.99%	5.67%	8.92%	9.81%

<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
\$ 8,103,915	\$ 9,466,830	\$ 10,751,857	\$ 12,171,693	\$12,113,756	\$12,343,952
483,739	656,131	574,085	526,939	394,262	301,526
6,548,620	6,784,490	10,764,840	7,853,519	9,227,278	8,528,959
87,794	88,865	155,411	126,424	115,440	152,655
205,212	214,143	201,699	232,205	207,519	227,824
-	-	-	-	-	-
109,255	4,409	20,360	586,655	804,688	594,293
174,125	265,930	266,199	175,860	358,455	190,469
<u>15,712,660</u>	<u>17,480,798</u>	<u>22,734,451</u>	<u>21,673,295</u>	<u>23,221,398</u>	<u>22,339,678</u>
4,795,109	4,725,066	5,443,589	6,441,715	7,774,678	7,534,457
3,529,005	3,684,573	3,936,638	4,559,053	5,287,481	5,878,777
1,148,879	2,064,109	3,102,989	1,240,810	997,085	1,020,248
1,067,558	1,148,267	1,340,243	1,474,556	1,733,965	1,658,771
343,411	337,080	424,439	454,207	494,550	510,061
1,383,628	1,716,016	7,043,190	5,505,118	8,194,201	5,828,329
1,064,517	606,000	493,082	827,380	755,504	779,728
368,749	350,647	341,052	561,069	520,748	484,762
-	-	357,707	-	-	-
<u>13,700,856</u>	<u>14,631,758</u>	<u>22,482,929</u>	<u>21,063,908</u>	<u>25,758,212</u>	<u>23,695,133</u>
<u>2,011,804</u>	<u>2,849,040</u>	<u>251,522</u>	<u>609,387</u>	<u>(2,536,814)</u>	<u>(1,355,455)</u>
-	-	7,024,031	-	-	-
-	-	-	-	-	-
4,855	205	72,426	17,950	46,997	44,784
-	-	6,155,000	-	-	-
-	-	2,253,114	-	-	-
-	-	(8,222,918)	-	-	-
3,751,861	3,468,731	4,346,500	10,855,892	5,365,220	1,777,981
<u>(3,751,861)</u>	<u>(3,468,731)</u>	<u>(4,601,500)</u>	<u>(12,232,009)</u>	<u>(6,350,220)</u>	<u>(2,397,981)</u>
<u>4,855</u>	<u>205</u>	<u>7,026,653</u>	<u>(1,358,167)</u>	<u>(938,003)</u>	<u>(575,216)</u>
<u>\$ 2,016,659</u>	<u>\$ 2,849,245</u>	<u>\$ 7,278,175</u>	<u>\$ (748,780)</u>	<u>\$ (3,474,817)</u>	<u>\$ (1,930,671)</u>
11.77%	7.18%	5.92%	9.21%	7.16%	7.08%

Town of Chino Valley, Arizona

Assessed, Limited and Full Cash Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Limited Property Value -Primary		Full Cash Value-Secondary		Ratio of Net Assessed to Total Values
	Net Assessed Value	Total Value	Net Assessed Value	Total Value	
2015-2016	68,900,296	627,209,860	80,357,855	738,888,013	11 %
2016-2017	71,703,530	652,618,898	83,930,432	773,511,955	11 %
2017-2018	76,175,662	698,377,587	91,475,024	848,659,263	11 %
2018-2019	81,468,659	753,795,532	104,330,919	980,124,645	11 %
2019-2020	87,437,075	816,434,870	122,115,077	1,154,109,710	11 %
2020-2021	94,119,722	882,471,069	137,938,692	1,308,809,901	11 %
2021-2022	99,980,268	945,830,276	139,710,711	1,341,041,314	10 %
2022-2023	106,533,510	1,014,524,467	171,539,005	1,654,043,423	10 %
2023-2024	115,383,903	1,107,666,016	215,158,832	2,094,754,848	10 %
2024-2025	124,144,923	1,201,525,387	223,668,859	2,195,212,615	10 %

Source: Yavapai County Assessor



Town of Chino Valley, Arizona

Property Tax Rates - Direct and Overlapping Governments
(Primary Tax Rates)
Per \$100 of Assessed Value
Last Ten Fiscal Years

<u>Tax Authority</u>	<u>2015-2016</u>	<u>2016-2017</u>	<u>2017-2018</u>	<u>2018-2019</u>	<u>2019-2020</u>
Town of Chino Valley	-	-	-	-	-
Yavapai County	1.9317	1.9027	1.8395	1.7788	2.0152
School Equalization	0.5054	0.5010	0.4875	0.4741	0.4566
Yavapai College	1.8721	1.8439	1.7827	1.7584	1.6883
Chino Valley School District	<u>4.4236</u>	<u>4.6005</u>	<u>4.3974</u>	<u>4.2808</u>	<u>4.1000</u>
Total primary	<u><u>8.7328</u></u>	<u><u>8.8481</u></u>	<u><u>8.5071</u></u>	<u><u>8.2921</u></u>	<u><u>8.2601</u></u>

Source: Yavapai County Treasurer

<u>2020-2021</u>	<u>2021-2022</u>	<u>2022-2023</u>	<u>2023-2024</u>	<u>2024-2025</u>
-	-	-	-	-
1.9255	1.8570	1.7925	1.7148	1.6443
0.4426	0.4263	-	-	-
1.6131	1.5557	1.5017	1.5084	1.4496
<u>3.9659</u>	<u>3.9497</u>	<u>3.7295</u>	<u>3.6426</u>	<u>3.4863</u>
<u><u>7.9471</u></u>	<u><u>7.7887</u></u>	<u><u>7.0237</u></u>	<u><u>6.8658</u></u>	<u><u>6.5802</u></u>

Town of Chino Valley, Arizona

Secondary Tax Rates - Direct and Overlapping Governments

(Secondary Tax Rates)

Per \$100 of Assessed Value

Last Ten Fiscal Years

<u>Tax Authority</u>	<u>2015-2016</u>	<u>2016-2017</u>	<u>2017-2018</u>	<u>2018-2019</u>	<u>2019-2020</u>
Town of Chino Valley	-	-	-	-	-
Fire District Assistance	0.1000	0.1000	0.1000	0.1000	0.1000
Flood Control District	0.1976	0.2346	0.2346	0.2188	0.2103
Library District	0.1907	0.1815	0.1815	0.1720	0.1651
Yavapai College	0.2122	0.1815	0.2001	0.1892	0.1525
Chino Valley School District	0.0500	0.0500	0.0500	0.0500	0.0500
Chino Valley Fire District	<u>3.6175</u>	<u>3.6175</u>	<u>3.6173</u>	<u>3.5986</u>	<u>3.5732</u>
Total secondary	<u>4.3680</u>	<u>4.3651</u>	<u>4.3835</u>	<u>4.3286</u>	<u>4.2511</u>

Source: Yavapai County Treasurer

<u>2020-2021</u>	<u>2021-2022</u>	<u>2022-2023</u>	<u>2023-2024</u>	<u>2024-2025</u>
-	-	-	-	-
0.0937	0.0890	0.0859	0.0826	0.0805
0.2006	0.1916	0.1834	0.1750	0.1674
0.1577	0.1521	0.1468	0.1404	0.1346
0.0760	0.0131	-	-	-
0.0500	0.0500	0.0500	0.0500	0.0500
<u>3.5466</u>	<u>3.5346</u>	<u>3.5678</u>	<u>3.5801</u>	<u>3.5570</u>
<u>4.1246</u>	<u>4.0304</u>	<u>4.0339</u>	<u>4.0281</u>	<u>3.9895</u>

Town of Chino Valley, Arizona

Transaction Privilege Tax Revenues by Industry

Last Ten Fiscal Years

Fiscal Year	Construction	Transportation, Communication, Utilities	Use Tax	Retail Trade
2015-2016	\$ 433,039	\$ 798,024	\$ 129,501	\$ 2,735,267
2016-2017	526,495	694,022	-	3,171,921
2017-2018	958,917	730,917	118,731	3,350,891
2018-2019	1,144,023	727,641	180,042	3,700,174
2019-2020	1,002,507	746,936	192,340	4,745,837
2020-2021	1,219,575	752,494	256,227	5,618,035
2021-2022	1,347,800	831,476	306,359	6,422,047
2022-2023	1,625,528	886,059	270,533	7,181,271
2023-2024	1,271,212	930,947	243,290	7,477,469
2024-2025	1,177,601	985,285	253,310	7,795,683

Source: Arizona Department of Revenue

Note: The categories presented are intended to provide alternative information regarding the source of the Town's revenue.

Restaurants, Bars	Rental, Leasing, and Licensing for Use	All Other	Total
\$ 501,100	\$ 348,577	\$ 413,530	\$ 5,359,038
573,858	378,261	233,483	5,578,040
600,046	399,797	152,797	6,312,096
655,336	430,263	172,380	7,009,859
696,727	534,953	43,056	7,962,356
867,868	574,916	37,133	9,326,248
978,554	669,954	59,060	10,615,250
1,043,435	737,016	45,227	11,789,069
1,032,215	723,953	33,673	11,712,759
969,462	686,847	37,264	11,905,452

Town of Chino Valley, Arizona

Direct and Overlapping Transaction Privilege Tax Rates

June 30, 2025

	Rates		
	Town	State and Yavapai County	Combined
Privilege tax, except retail, utilities, and telecommunication	4.000 %	6.350 %	10.350 %
Retail	4.000	6.350	10.350
Hotel/motel (additional tax for chino valley)	4.000	6.325	10.325
Restaurant/bar	4.000	6.350	10.350
Use tax	3.000	5.600	8.600
Construction	4.000	6.350	10.350

Sources: Town of Chino Valley Finance Department and Arizona Department of Revenue

Town of Chino Valley, Arizona

Actual Excise Tax Collections

Last Ten Fiscal Years

Fiscal Year	Town Transaction Privilege Tax	Franchise Tax	State Shared Privilege Tax	Urban Revenue Share	Vehicle License Tax	Total
2015-2016	\$ 5,403,949	\$ 136,036	\$ 1,022,547	\$ 1,302,365	\$ 680,388	\$ 8,545,285
2016-2017	5,578,040	117,715	1,020,252	1,362,532	712,352	8,790,890
2017-2018	6,312,096	124,329	1,084,425	1,393,419	766,485	9,680,754
2018-2019	7,009,860	127,155	1,179,854	1,417,474	826,894	10,561,236
2019-2020	7,962,355	136,263	1,291,713	1,552,162	852,404	11,794,897
2020-2021	9,326,248	136,335	1,467,611	1,768,560	1,049,654	13,748,408
2021-2022	10,615,250	132,509	1,834,785	1,700,042	1,016,479	15,299,065
2022-2023	11,789,069	378,733	1,994,400	2,559,453	1,098,783	17,820,438
2023-2024	11,712,759	397,097	2,066,470	3,622,169	1,104,694	18,903,189
2024-2025	11,905,452	433,664	2,120,247	2,938,837	1,189,453	18,587,653

Source: Town of Chino Valley Finance Department and Arizona Department of Revenue

Town of Chino Valley, Arizona

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

Fiscal Year	Governmental Activities			Business-Type		
	Capital Leases	Revenue Bonds	Loans Payable	Capital Leases	Notes Payable	Loans Payable
2015-2016	\$ 401,035	\$ 10,492,581	\$ -	\$ 71,280	\$ -	\$ 11,034,561
2016-2017	280,302	10,501,189	-	49,820	-	11,400,220
2017-2018	765,976	10,317,000	-	125,090	-	10,748,904
2018-2019	501,399	9,739,405	-	80,590	-	10,115,892
2019-2020	-	9,223,013	-	-	-	9,465,105
2020-2021	-	8,625,621	-	-	-	8,795,680
2021-2022	-	13,178,845	-	-	-	8,117,441
2022-2023	-	14,424,328	-	-	-	7,419,524
2023-2024	-	13,578,699	-	-	-	6,701,329
2024-2025	-	861,620	-	-	-	196,760

(a) Personal income represents Yavapai County personal income reported by the U.S. Bureau of Economic Analysis. Town-level personal income is not available; county data are used as a proxy.

(b) See page 138 for population data.

*Not available

Activities

Related-Party Capital Leases	Revenue Bonds	Developer Agreement	Total Primary Government	Percentage of Personal Income (a)	Per Capita (b)
\$ -	\$ 565,951	\$ 420,733	\$ 22,986,141	0.29%	\$ 2,064
-	520,851	420,733	23,173,115	0.28%	2,060
-	470,751	420,733	22,848,454	0.26%	1,952
-	420,651	420,733	21,278,670	0.23%	1,773
-	370,551	420,733	19,479,402	0.20%	1,574
-	315,450	420,733	18,157,484	0.17%	1,395
-	226,155	420,733	21,943,174	0.19%	1,626
-	238,663	420,733	22,503,248	0.18%	1,646
-	214,776	420,733	20,915,537	0.15%	1,514
-	26,346	420,733	1,505,459	*	108

Town of Chino Valley, Arizona

Computation of Direct and Overlapping Debt
June 30, 2025

<u>Jurisdiction</u>	<u>2024-2025 Secondary Assessed Valuation</u>	<u>GO Bond Debt Outstanding</u>	<u>Percentage Applicable to the Town of Chino Valley</u>	<u>Amount Applicable to the Town of Chino Valley</u>
State of Arizona	\$ 157,397,026,499	\$ -	0.14 %	\$ -
Yavapai County	6,637,350,149	-	3.37	-
Chino Valley School District	495,410,331	-	100.00	-
Chino Valley Fire District	359,241,002	2,445,000	62.26	1,522,294
Yavapai County Library District	6,637,350,149	-	3.37	-
Yavapai County Community College	359,241,002	-	-	-
Town of Chino Valley	<u>223,668,859</u>	<u>-</u>	<u>100.00</u>	<u>-</u>
Total overlapping debt		<u>2,445,000</u>		<u>1,522,294</u>
		<u>Direct Debt</u>		
Town of Chino Valley	<u>\$ 223,668,859</u>	<u>12,496,102</u> (a)	<u>100.00 %</u>	<u>12,496,102</u>
Total overlapping and direct debt		<u>\$ 14,941,102</u>		<u>\$ 14,018,396</u>

Source: Assessed value data used to estimate applicable percentages provided by Yavapai County Assessor's Office.

Note:

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the Town. This schedule estimates the portion of the outstanding general obligation debt of those overlapping governments that is borne by the residents and businesses of Chino Valley. When evaluating the Town's ability to issue and repay long-term debt, the combined burden on the same tax base should be considered. However, this does not imply that every taxpayer is a resident of each overlapping government or that all debt obligations are payable from property taxes.

Applicable percentages were estimated using taxable assessed property values provided by the Yavapai County Assessor's Office. The percentages represent the ratio of each overlapping government's assessed valuation within the Town's boundaries to the County's total assessed valuation.

(a) The Town of Chino Valley debt represents long-term obligations for governmental activities, which are secured by specific revenue sources rather than ad valorem property taxes. The Town currently has no general obligation bonded debt outstanding.



Town of Chino Valley, Arizona

Legal Debt Margin Information

Last Ten Fiscal Years

	<u>2015-2016</u>	<u>2016-2017</u>	<u>2017-2018</u>	<u>2018-2019</u>
Secondary Assessed Value	\$ 80,357,855	\$ 83,930,432	\$ 91,475,024	\$ 104,330,919
20% Limitation (a)				
Debt limit equal to 20% of assessed valuation	16,071,571	16,786,086	18,295,005	20,866,184
Total debt applicable to 20% limit	-	-	-	-
Legal 20% debt margin (available borrowing capacity)	<u>\$ 16,071,571</u>	<u>\$ 16,786,086</u>	<u>\$ 18,295,005</u>	<u>\$ 20,866,184</u>
Total Net Debt Applicable to the 20% Limit as a Percentage of 20% Debt Limit	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
6% Limitation (b)				
Debt limit equal to 6% of assessed valuation	\$ 4,821,471	\$ 5,035,826	\$ 5,488,501	\$ 6,259,855
Total debt applicable to 6% limit	-	-	-	-
Legal 6% debt margin (available borrowing capacity)	<u>\$ 4,821,471</u>	<u>\$ 5,035,826</u>	<u>\$ 5,488,501</u>	<u>\$ 6,259,855</u>
Total Net Debt Applicable to the 6% Limit as a Percentage of 6% Debt Limit	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>

Source: Yavapai County Assessor's Office

(a) 20% Debt Limitation can be used for Water, Sewer, Light, Parks, and Open Space Purposes.

(b) 6% Debt Limitation can be used for all other General Obligation Bonds.

<u>2019-2020</u>	<u>2020-2021</u>	<u>2021-2022</u>	<u>2022-2023</u>	<u>2023-2024</u>	<u>2024-2025</u>
\$ 122,115,077	\$ 137,938,692	\$ 139,710,711	\$ 171,539,005	\$ 215,158,832	\$ 223,668,859
24,423,015	27,587,738	27,942,142	34,307,801	43,031,766	44,733,772
-	-	-	-	-	-
<u>\$ 24,423,015</u>	<u>\$ 27,587,738</u>	<u>\$ 27,942,142</u>	<u>\$ 34,307,801</u>	<u>\$ 43,031,766</u>	<u>\$ 44,733,772</u>
<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
\$ 7,326,905	\$ 8,276,322	\$ 8,382,643	\$ 10,292,340	\$ 12,909,530	\$ 13,420,132
-	-	-	-	-	-
<u>\$ 7,326,905</u>	<u>\$ 8,276,322</u>	<u>\$ 8,382,643</u>	<u>\$ 10,292,340</u>	<u>\$ 12,909,530</u>	<u>\$ 13,420,132</u>
<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>

Town of Chino Valley, Arizona

Pledged Revenue Coverage

Last Ten Fiscal Years

Fiscal Year Ended June 30:	Refunding Obligations 2021 Series				Coverage
	Excise Tax Collection	Debt Service			
		Principal	Interest		
2022	\$ 15,299,066	\$ 702,385	\$ 220,840	16.57	
2023	17,820,438	702,380	238,450	18.94	
2024	18,903,189	602,504	285,798	21.28	
2025	18,587,653	629,729	254,312	21.03	

Fiscal Year Ended June 30:	Police Department 2021				Coverage
	Excise Tax Collection	Debt Service			
		Principal	Interest		
2022	\$ 15,299,066	\$ 125,000	\$ 155,412	54.56	
2023	17,820,438	125,000	238,450	49.03	
2024	18,903,189	150,000	233,950	49.23	
2025	18,587,653	150,000	229,450	48.99	

Fiscal Year Ended June 30:	Refunding Obligations 2021 Series				Coverage
	Excise Tax Collection	Debt Service			
		Principal	Interest		
2022	\$ 15,299,066	\$ 22,615	\$ 7,019	516.28	
2023	17,820,438	22,620	10,177	543.36	
2024	18,903,189	19,496	9,202	658.69	
2025	18,587,653	20,272	8,188	653.12	

Fiscal Year Ended June 30	WIFA 2007				Coverage
	Excise Tax Collection	Debt Service			
		Principal	Interest		
2016	\$ 8,545,285	\$ 77,886	\$ 27,922	80.76	
2017	8,790,890	80,034	25,714	83.13	
2018	9,680,754	82,242	23,447	91.60	
2019	10,561,236	84,510	21,116	99.99	
2020	11,997,299	86,841	18,720	113.65	
2021	13,748,408	89,236	16,260	130.32	
2022	15,299,066	91,697	13,731	145.11	
2023	17,820,438	94,226	11,130	169.14	
2024	18,903,189	96,825	8,463	179.54	
2025	18,587,653	99,495	5,717	176.67	

Town of Chino Valley, Arizona

Pledged Revenue Coverage

Last Ten Fiscal Years

Fiscal Year Ended June 30	WIFA 2008			
	Excise Tax Collection	Debt Service		Coverage
		Principal	Interest	
2016	\$ 8,545,285	\$ 242,138	\$ 98,378	25.10
2017	8,790,890	248,952	91,372	25.83
2018	9,680,754	255,957	84,170	28.46
2019	10,561,236	263,160	76,765	31.07
2020	11,997,299	270,565	69,152	35.32
2021	13,748,408	278,178	61,324	40.50
2022	15,299,066	286,007	53,275	45.09
2023	17,820,438	294,055	45,000	52.56
2024	18,903,189	302,330	36,492	55.79
2025	18,587,653	310,837	27,746	54.90

Fiscal Year Ended June 30	WIFA 2014			
	Excise Tax Collection	Debt Service		Coverage
		Principal	Interest	
2016	\$ 8,545,285	\$ 121,854	\$ 57,121	47.75
2017	8,790,890	124,303	54,622	49.13
2018	9,680,754	126,801	52,073	54.12
2019	10,561,236	129,350	49,473	59.06
2020	11,997,299	131,950	46,822	67.11
2021	13,748,408	134,602	44,116	76.93
2022	15,299,066	137,308	41,356	85.63
2023	17,820,438	140,068	38,540	99.77
2024	18,903,189	142,883	35,669	105.87
2025	18,587,653	145,755	34,497	103.12

Fiscal Year Ended June 30	WIFA 2016			
	Excise Tax Collection	Debt Service		Coverage
		Principal	Interest	
2016	\$ 8,545,285	\$ -	\$ 60,462	141.33
2017	8,790,890	150,161	96,326	35.66
2018	9,680,754	153,700	92,723	39.29
2019	10,561,236	134,526	90,745	46.88
2020	11,997,299	139,907	85,262	53.28
2021	13,748,408	145,503	84,056	59.89
2022	15,299,066	151,323	80,508	65.99
2023	17,820,438	157,376	76,820	76.09
2024	18,903,189	163,671	74,692	79.30
2025	18,587,653	170,218	68,993	77.70

Fiscal Year Ended June 30	WIFA 2017			
	Excise Tax Collection	Debt Service		Coverage
		Principal	Interest	
2017	\$ 8,790,890	\$ -	\$ -	
2018	9,680,754	12,156	6,453	520.22
2019	10,561,236	11,398	6,501	590.05
2020	11,997,299	11,349	7,164	648.05
2021	13,748,408	11,624	5,946	782.49
2022	15,299,066	11,904	5,659	871.10
2023	17,820,438	12,192	6,364	960.36
2024	18,903,189	12,487	4,724	1,098.32
2025	18,587,653	12,788	4,754	1,059.61

Town of Chino Valley, Arizona

Demographic and Economic Statistics

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Town Population</u>	<u>County Population</u>	<u>County Personal Income (in Thousands) (a)</u>	<u>County Per Capita Personal Income (a)</u>	<u>School Enrollment</u>	<u>Yavapai County Unemployment Rate</u>
2015-2016	11,137	221,584	7,888,490	35,600	2,991	5.6
2016-2017	11,250	225,562	8,199,948	36,353	2,988	5.0
2017-2018	11,705	228,055	8,753,027	38,381	2,876	4.6
2018-2019	12,003	231,993	9,352,066	40,312	2,860	4.4
2019-2020	12,375	235,099	9,731,391	41,393	2,580	4.6
2020-2021	13,020	236,209	10,687,662	45,247	2,731	7.4
2021-2022	13,492	242,253	11,630,801	48,011	2,815	5.2
2022-2023	13,669	246,230	12,784,508	51,921	2,399	3.4
2023-2024	13,815	249,081	13,926,866	55,913	2,278	4.2
2024-2025	13,911	254,704	*	*	2,206	4.1

(a) Beginning in fiscal year 2024–25, the Yavapai County Personal Income and Per Capita Personal Income data were updated to reflect current published figures from the U.S. Bureau of Economic Analysis (BEA). Prior-year data were based on estimates available at the time of publication and may not align precisely with revised BEA data due to timing and subsequent adjustments.

Sources: Population, County Per Capita Income and City Unemployment Rate - Arizona Department of Commerce, Arizona Department of Economic Security, and U.S. Census Bureau.
School Enrollment - Chino Valley Unified School District.

* Not available

Town of Chino Valley, Arizona

Principal Employers

Current Year and Five Years Ago

Employer	Employees					
	2025	2024	2023	2022	2021	2020
Chino Valley Unified School	325	353	322	307	288	290
Safeway	85	85	181	190	140	175
Town of Chino Valley	138	124	114	107	110	98
CAFMA In CV	35	35	27	36	36	35
Bonnie Plant	20	19	25	30	25	24
Frontier Techni-Kote Industries	12	*	28	28	-	-
Arizona Highway Safety Specialists	35	37	30	25	25	30
Chino Heating & Cooling	18	31	33	25	25	25
A2Z Home Center	20	24	26	18	-	-
Circle L Animal Hospital	18	22	13	13	20	20
	<u>706</u>	<u>730</u>	<u>799</u>	<u>779</u>	<u>669</u>	<u>697</u>

Sources: Central Arizona Regional Economic Development Foundation; various employers

*Not available

Town of Chino Valley, Arizona

Authorized Full-Time Equivalent (FTE) Government Employees by Function/Program

Last Ten Fiscal Years

Fiscal Year	Function/Program							Total
	General Government	Public Safety	Culture/ Recreation	Health and Welfare	Public Works/ Streets	Water	Sewer	
2015-2016	40.00	30.50	1.00	3.50	10.00	2.50	3.50	91.00
2016-2017	39.00	31.00	1.50	3.50	11.00	2.50	3.50	92.00
2017-2018	45.50	30.00	2.00	4.50	7.00	3.00	3.00	95.00
2018-2019	48.50	30.00	2.00	4.50	7.00	2.50	2.50	97.00
2019-2020	49.25	30.50	2.00	4.25	7.00	2.50	2.50	98.00
2020-2021	49.25	30.50	2.00	4.25	7.00	2.50	2.50	98.00
2021-2022	54.50	31.00	2.00	4.50	9.00	3.00	3.00	107.00
2022-2023	57.75	34.00	2.00	4.25	9.00	3.50	3.50	114.00
2023-2024	63.25	38.00	2.00	4.25	9.00	3.50	3.50	123.50
2024-2025 (a)	55.25	44.50	19.25	3.00	9.00	3.50	3.50	138.00

Source: Town of Chino Valley Budget

Note: Information is based on authorized positions approved by Council in the Budget. Elected officials (Mayor and Council) are included under General Government.

(a) Starting in FY 2024-2025, authorized staffing levels are presented in full-time equivalent (FTE) positions, consistent with the adopted annual budget.



Town of Chino Valley, Arizona

Operating Indicators by Function/Program

Last Ten Fiscal Years

<u>Function/Program</u>	<u>2015-2016</u>	<u>2016-2017</u>	<u>2017-2018</u>	<u>2018-2019</u>
General government:				
Registered voters - Primary Election	*	6,220	6,673	*
Ballots cast last election - Primary Election	*	2,630	2,840	*
Police:				
Number of police personnel and officers	30	31	31	30
Arrests	445	444	394	314
Citations	1,234	1,204	1,532	1,370
Traffic stops	3,166	3,121	3,103	3,440
Security checks	1,979	1,469	914	927
Officer reports	6,257	5,601	5,135	6,810
Calls for service	11,212	10,680	10,239	10,589
Patrol units (marked)	19	19	20	20
Animal control:				
Animal related calls	1,005	941	954	889
Impounded dogs	340	350	341	351
Impounded cats				
Adopted dogs	137	139	122	110
Adopted cats				
Dog licenses sold	1,912	1,986	1,994	1,584
Highways and streets:				
Miles of paved roads maintained	153	153	153	155
Street resurfacing (miles)	-	2	3	3
Street sweeping (miles)	13	13	13	13
Potholes repaired (cold mix tons)	157	157	270	231
Water:				
Number of wells	19	19	19	15
Total well production (acre feet)	250	250	267	247
Number of metered accounts	658	720	819	902
New residential connections	25	25	99	87
Number of water tanks	2	2	2	2
Storage capacity (mg)	1.165	1.165	1.165	1.165
Miles of water mains	21.0	21.0	22.0	22.0
Line breaks	-	-	-	-
Average daily consumption (thousand of gallons)	312	312	312	221
Fire Hydrants	103	103	104	105
Wastewater:				
Number of active accounts	1,744	1,767	1,842	2,007
Average daily sewage treatment gallons	325,000	325,000	265,000	285,000
Plant Capacity per day gallons	500,000	500,000	500,000	500,000
Gallons Recharged in Aquifer (acre feet)	251	251	284	277
Miles of Collection System	34	34	35	36

<u>2019-2020</u>	<u>2020-2021</u>	<u>2021-2022</u>	<u>2022-2023</u>	<u>2023-2024</u>	<u>2024-2025</u>
8,305	7,505	8,218	*	8,583	8,580
7,184	3,644	4,103	*	3,196	3,843
31	31	35	41	46	47
276	160	386	439	428	447
1,041	1,025	1,682	1,568	1,853	1,776
3,107	2,761	3,465	3,414	4,043	4,684
1,119	1,075	1,163	1,180	1,152	778
5,685	5,424	6,090	7,952	8,608	7,709
10,184	9,768	12,019	12,545	13,198	13,171
21	21	15	18	23	21
835	743	773	884	904	992
319	293	271	294	322	322
		31	48	48	34
140	152	121	114	125	106
		30	36	40	27
1,540	1,425	1,136	964	1,387	1,349
155	155	155	157	158	158
	22	22	2	1	3
13	15	15	7	16	16
218	281	300	320	345	392
15	15	15	15	15	15
292	294	339	376	437	383
869	1,097	1,133	1,141	1,138	1,075
153	120	37	21	16	36
2	2	2	2	2	2
1.165	1.165	1.165	1.165	1.165	1.165
22.5	22.5	22.5	22.5	22.8	22.8
-	-	-	-	-	-
260	263	282	336	325	342
105	105	116	116	132	132
2,114	2,244	2,295	2,327	2,325	2,358
288,000	298,000	315,000	335,347	326,948	326,667
50,000	500,000	500,000	500,000	500,000	500,000
309	330	336	376	416	358
36	36	37	38	38	38

Town of Chino Valley, Arizona

Operating Indicators by Function/Program

Last Ten Fiscal Years

<u>Function/Program</u>	<u>2015-2016</u>	<u>2016-2017</u>	<u>2017-2018</u>	<u>2018-2019</u>
Facilities maintenance:				
Number of buildings maintained	20	20	20	20
Square footage of buildings maintained	55,704	55,704	55,704	55,704
Number of HVAC units, mini splits, condensing units, heaters, air handling units, and exhaust fans	44	44	44	44
Parks and recreation:				
Park areas	5	5	5	5
Total miles of trails	3	3	3	3
Parkland acreage	47	47	47	47
Total open space acres	82	82	82	82
Total acres of turf	20	20	20	20
Gallons of water user per acre of turf	806,000	806,000	810,000	450,000
Ball fields	6	6	6	6
Playgrounds	2	2	2	2
Aquatic center admissions	10,771	12,180	16,638	16,246
Economic development:				
Building permits, commercial	53	56	61	46
Building permits, residential	265	319	439	368
Code enforcement cases	186	197	200	369
Planning cases	16	15	19	21
Culture, library:				
Items in collections	49,072	57,009	72,454	72,730
Total items circulated	113,231	110,202	107,584	103,374
Reference transactions	5,008	4,752	3,041	2,899
Computer uses	15,102	15,888	15,515	15,087
Inter library loan	29,504	23,490	30,427	13,294
Total library attendance	60,533	66,131	64,960	63,214
Culture, senior center:				
Total meals served in house (a)	13,264	13,744	14,612	12,872
Total meals on wheels	12,065	10,428	10,174	11,574

Sources: Various Town Departments

* Not available

(a) Decrease in fiscal year 2024-25 due to kitchen remodel project and related inoperable periods during the year.

<u>2019-2020</u>	<u>2020-2021</u>	<u>2021-2022</u>	<u>2022-2023</u>	<u>2023-2024</u>	<u>2024-2025</u>
20	21	21	22	22	22
55,704	62,085	62,085	78,107	84,290	84,290
44	44	44	62	68	68
5	5	5	5	5	5
3	3	3	4	4	4
47	47	47	47	47	47
82	83	83	83	83	83
20	12	12	12	12	12
650,000	450,564	525,000	550,000	600,000	625,000
6	6	6	5	5	5
2	2	2	2	2	2
N/A Covid	N/A Covid	N/A Covid	*	15,200	17,992
35	57	69	52	62	32
400	545	542	630	609	336
277	191	465	809	445	284
30	47	136	135	89	109
74,443	57,598	46,569	54,384	56,421	55,365
84,903	84,903	117,324	94,353	113,292	85,316
N/A COVID	-	-	-	*	*
N/A COVID	14,269	-	-	*	*
25,874	13,485	12,044	24,765	198	14,703
6,374	43,132	40,208	40,208	*	*
11,947	11,870	11,249	16,385	17,233	13,891
11,182	14,256	17,298	17,138	16,773	18,072

Town of Chino Valley, Arizona

Capital Asset Statistics by Function/Program

Last Ten Fiscal Years

Function/Program	2014-2015	2015-2016	2016-2017	2017-2018
Public safety:				
Stations	1	1	1	1
Patrol units	19	19	19	20
Highways and streets:				
Streets (miles)	153	153	153	153
Water:				
Water mains (miles)	19.5	19.5	19.5	22.0
Fire hydrants	103	103	103	103
Sewer:				
Sanitary sewer (miles)	32	32	33	35
Maximum daily treatment capacity (thousands of gallons)	500,000	500,000	500,000	500,000
Recreation and aquatics:				
Parks acreage	47	47	47	47
Number of parks	5	5	5	5
Swimming pools	1	1	1	1
Ball fields	6	6	6	6

Sources: Various Town Departments

<u>2018-2019</u>	<u>2019-2020</u>	<u>2020-2021</u>	<u>2021-2022</u>	<u>2022-2023</u>	<u>2023-2024</u>
1	1	1	1	1	1
20	21	21	21	18	21
153	153	155	155	157	158
22.0	22.0	22.5	22.5	22.5	23
103	103	105	105	116	132
35	35	36	36	38	38
500,000	500,000	500,000	500,000	500,000	500,000
47	47	47	47	47	47
5	5	5	5	5	5
1	1	1	1	1	1
6	6	6	6	5	5



**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***

Honorable Mayor and Members of the Town of Chino Valley, Arizona Council
Town of Chino Valley, 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, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Chino Valley, Arizona as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Town of Chino Valley, Arizona’s basic financial statements, and have issued our report thereon dated December 1, 2025. Our report included an emphasis of matter paragraph as to comparability because of the implementation of Governmental Accounting Standards Board Statement No. 101, *Compensated Absences*.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Chino Valley, Arizona’s internal control over financial reporting (internal control) as a basis for designing 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 Town of Chino Valley, Arizona’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Chino Valley, Arizona’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 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. 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 or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Town of Chino Valley, Arizona's financial statements are free from 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 financial statements. 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.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Flagstaff, Arizona
December 1, 2025