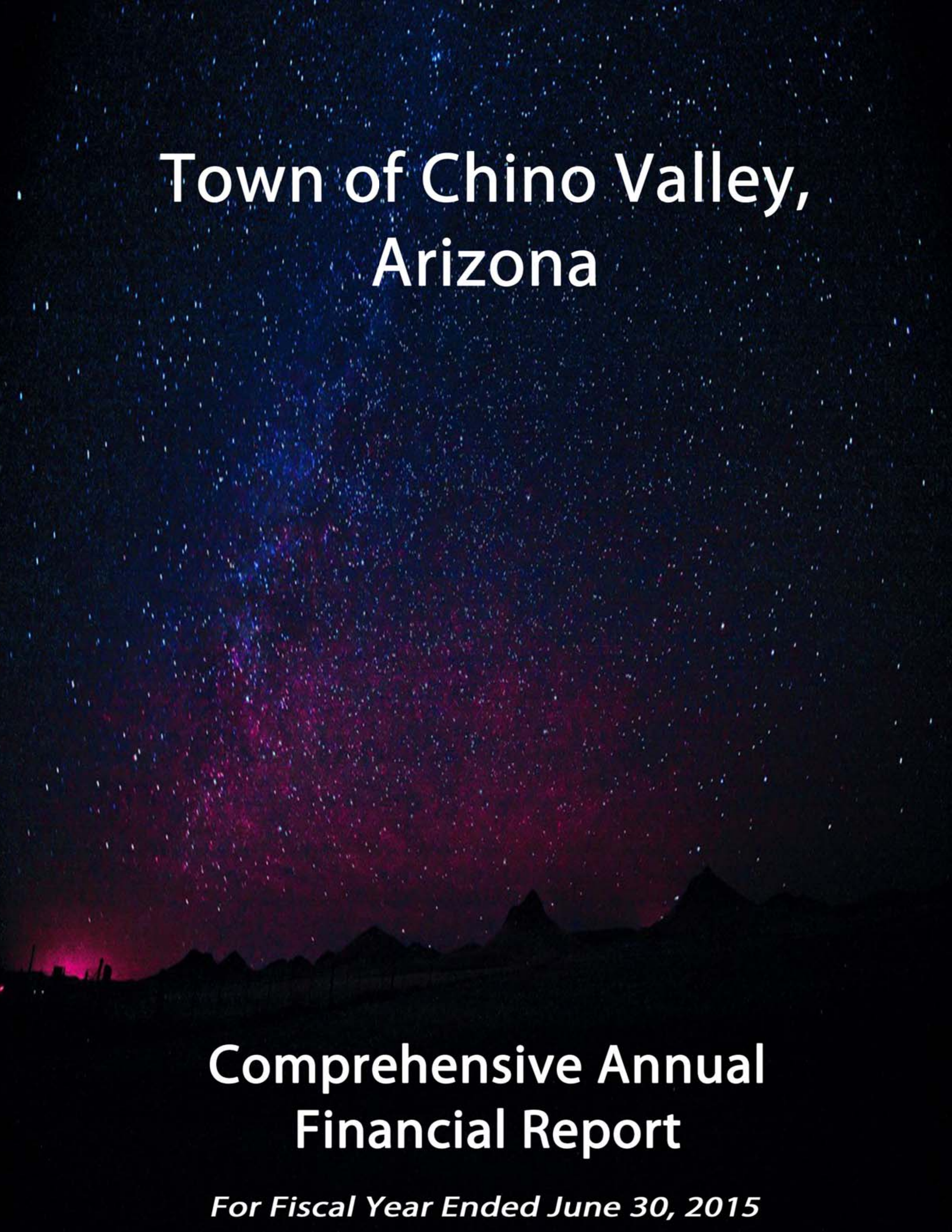

Town of Chino Valley, Arizona

Comprehensive Annual Financial Report

For Fiscal Year Ended June 30, 2015

TOWN OF CHINO VALLEY, ARIZONA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

TOWN OF CHINO VALLEY, ARIZONA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Prepared by the Finance Department

Joe R. Duffy, CPA, Finance Director

Cover Photo by Matt Santos

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Looking to the Future

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TOWN OF CHINO VALLEY, ARIZONA

Looking to the Future

Finance Department
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Chino Valley, AZ 86323

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October 30, 2015

Honorable Mayor, Town Council and Town Manager:

The Comprehensive Annual Financial Report (CAFR) of the Town of Chino Valley, Arizona (the Town), for the fiscal year ended June 30, 2015 is submitted herewith. This report was prepared by the Town's Finance Department, in conformity with accounting principles generally accepted in the United States of America (GAAP) as prescribed in pronouncement of the Governmental Accounting Standards Board (GASB).

The report consists of management's representations concerning the finances of the Town of Chino Valley. Consequently, management assumes full responsibility for the accuracy of the data, and the completeness and fairness of all of the information presented in this report. To provide a reasonable basis for making these representations, the Town has established a comprehensive internal control framework that is designed both to protect the Town's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the basic financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Town's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute assurance that the financial statements will be free from material misstatement.

The Town of Chino Valleys' financial statements have been audited by Henry & Horne, LLP, a firm of licensed certified public accountants. The goal of the independent audit is to prove reasonable assurance that the financial statements of the Town of Chino Valley for the fiscal year ended June 30, 2015 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosure in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement preparation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Town of Chino Valley's statements for the fiscal year ended June 30, 2015 are presented fairly in conformity with GAAP. The report of the independent auditor is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Town's MD&A can be found immediately following the report of the independent auditor.

REPORTING ENTITY

For financial report purposes, the Town is a primary government. The citizens elect its governing Mayor and Council in a general election. The report includes all organizations and activities for which the elected officials exercise financial control. The Town has no component units. The Town interacts or contracts with various other governmental entities, but is not financially accountable for those entities.

PROFILE OF THE TOWN OF CHINO VALLEY

Chino Valley is located in the heart of Yavapai County along State Route 89 and is situated at an elevation of 4,700 feet, approximately 90 miles northwest of Phoenix and 15 miles north of Prescott. The Town provides a full range of municipal services, including police protection, the construction and maintenance of streets and infrastructure; as well as recreational and cultural activities. The Town's two enterprise funds provide water and wastewater services. The Town also operates a Library and Senior Center.

Incorporated in 1970, Chino Valley received its name in 1854 from U.S. Army Cavalry Lt. Amiel W. Whipple. He was traveling through the area and took note of the plentiful grama grass growing in the region. The Mexican word for this grass was "chino"—thus the community's name. From January through May of 1864, the site of the first Territorial Capital of Arizona was established at Del Rio Springs in Chino Valley. Later that year, the Territorial Capital was moved to Prescott.

It was a railroad that brought much activity to Chino Valley. Jerome Junction was established in 1895, becoming a major center of goings-on from 1900 until 1925, when it was moved farther north. Afterward, from the 1920s to the late 1940s, most of the families of Chino Valley took up farming and ranching. In the 1950s and 1960s, dairy farming became a large source of revenue.

Chino Valley has experienced much growth since its early beginnings. Affordable housing, large plots of land and significant availability of services continue to draw residents and businesses to the area.

STATE ROUTE HIGHWAY 89

Currently 23,000 vehicles per day travel State Route Highway 89 through Chino Valley. The Town, in conjunction with Yavapai County and Arizona Department of Transportation are in the process of planning improvements such as traffic control devices, frontage roads, widening and roundabouts on State Route Highway 89.

A major project was completed this year dividing into four lanes the 10 mile section of Highway 89 between Chino Valley and Prescott. Construction of a roundabout at Road 4 North was also completed.

The Town of Chino Valley operates under a Council-Manager form of government. Under this organization structure, the Mayor and Council appoint a Town Manager to act as the chief operating officer. The Mayor and Town Council set policy direction and the Town Manager implements those policies in an efficient and effective manner. The Town Manager is responsible for carrying out the policies and ordinances of the Town Council as well as overseeing the day-to-day operation.

FINANCIAL INFORMATION

Internal Controls

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

Internal account controls are designed to provide reasonable, but not absolute, assurance regarding: (1) safeguarding of assets against loss from unauthorized use of disposition, and (2) reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes: (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management.

The system of internal controls is subject to periodic evaluation by management and is also considered by the independent auditors in connections with the annual audit of the Town's financial statements. All internal control evaluations occur within the above framework. The Town's internal accounting controls are considered to adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Budgetary Controls

The Town of Chino Valley, like many cities and towns in the State of Arizona, is subject to numerous budget and related requirements. Article IX, Section 20(1) of the Arizona Constitution sets limits on the Town's legal budget capacity.

The Town operates under the Home Rule Option that must be adopted by the local voters every four years. Home Rule allows the Mayor and Council, as part of the annual budget process to adopt an Alternative Expenditure Limitation equal to the total amount of budgeted expenditures/expenses as it appears on the annual budget to be adopted each year after a public hearing at which the citizens of the Town may comment. The Town last adopted the Local Alternative Expenditure Limitation in March 2013 to be used through June 2017.

Under the Local Alternative Expenditure Limitation, the Town is allowed to adjust the state imposed expenditure base from $5,906,982 to $29,966,774 for fiscal year 2014-2015.

The Town maintains budgetary controls, which are designed to ensure compliance with legal provisions of the annual operating budget adopted by the Town Council. An operating budget is legally adopted by ordinance each fiscal year for 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 for the fiscal year commencing the following July 1 to the Town Council. After final adoption, transfers between budget appropriations for non-exempt areas may be made by the Town Council.

The Town is subject to the State of Arizona's Spending Limitations Law for Cities and Towns. 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 applies to the total of the combined funds. The Town complied with this law during the fiscal year.

Cash Management

The Town's investment strategy is to invest public funds with maximum security in a manner which provides a reasonable return while meeting the daily cash flow demands of the Town and conforms to all applicable state and local statutes.

Cash not held with fiscal agents is invested on a pool basis with the Arizona State Treasurer's Office in the Local Governments Investment Pool and with National Bank of Arizona. Investment income is allocated to the funds monthly, on the basis of cash provided for investment.

Risk Management

The Town is a member in the Arizona Municipal Risk Retention Pool along with approximately 60 other members. The Pool provides coverage for claims to a maximum of $2 million 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 in 2014-2015 and no settlements exceeded insurance coverage during any of the past three fiscal years.

The Town is also insured by Arizona Workers' Compensation for potential worker related accidents.

Economic Conditions and Outlook

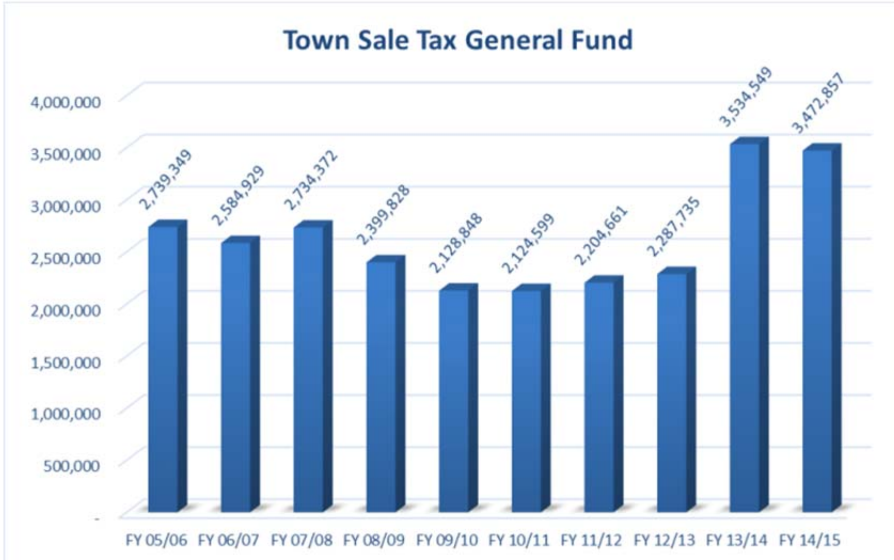
The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the Town of Chino Valley operates.

The economy of Chino Valley is a diverse combination of agriculture, manufacturing, commercial, government and service activities. Local indicators are pointing to stability, after several turbulent years during the economic downturn. All local excise taxes, state-shared revenue, state income tax and highway user revenue have increased over the last couple of years.

In 2000, Chino Valley's population was 7,901; in 2010 the new census revealed a population of 10,825. Chino Valley experienced strong growth from 2000 to 2010, with an estimated population of 11,429 in 2008. Growth was driven by three new major housing subdivisions. Chino Valley appears to be recovering from the economic and housing downturn.

Local Sales Tax, also known as Town Sales Tax, indicators have been mixed since 2005. Local Sales Taxes are comprised of retail, construction, manufacturing, restaurant/bar, hotel/motel, and other taxing categories. In 2005/2006, Town Sales Tax rose to a high of $2,739,349 then fell to a low of $2,124,599 in FY 2010/2011. The fluctuation is directly related to the growth and eventual decline in the local housing market.

The Town's Sales Tax collections have shown steady growth since 2011. Total Sales Tax declined slightly in fiscal year 2015 compared to fiscal year 2014 due to a one-time payment to settle a long standing past due amount.

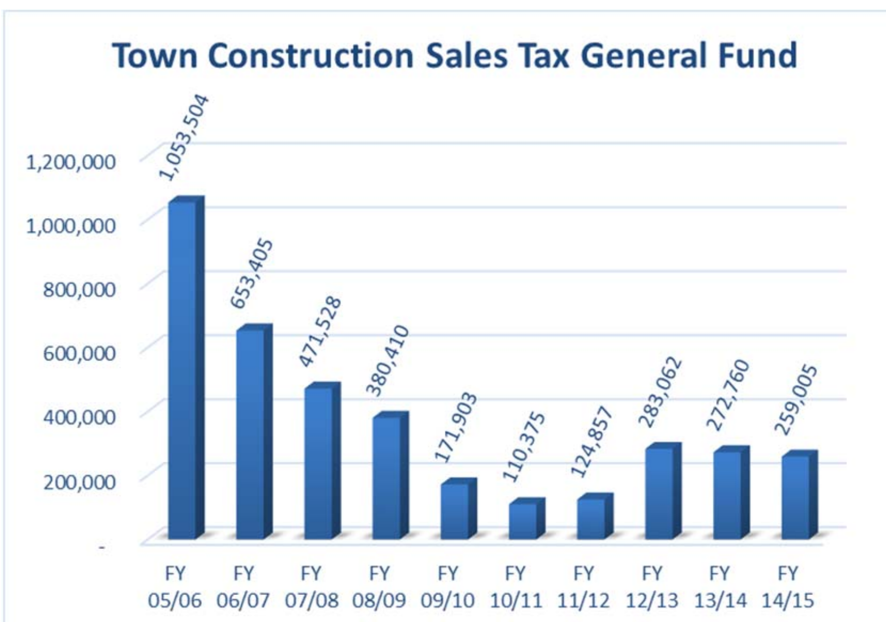


Through fiscal year 2013, the Town's sales tax rate was 3%. 1% of the 3% is transferred to the Capital Improvement fund while 2% remains in the general fund. In fiscal year 2014 the tax rate was increased to 4%. 3% is retained in the General Fund and 1% in transferred to the Capital Improvement Fund.

Construction Sales Tax was a significant portion of the Town's tax collections during the housing boom from 2004 to 2008. Construction sales tax is also the most volatile and unstable. The graph below shows the fluctiontions in construction sales tax from 2005/2006 to 2014/2015.

The Town conservatively budgets the amount of construction sales tax each year taking into account the volitility and one time nature of the tax.

The Town of Chino Valley does not collect a property tax.



LONG-TERM FINANCIAL PLANNING

The Town's responsiveness to emerging economic challenges and its careful long-range planning have been a key factor in maintaining Chino Valley's fiscal health. During Fiscal Year 2015 the Town adopted a Stategic Financial Plan to establish the fiscal priorities and measures needed to ensure the long term fiscal health of the community. The Town undertook the development of a new budget format in conformity with the Government Finance Officers Association (GFOA) recommended practices in an effort to improve communitcation of the Town's financial condition to the community.

The Town of Chino Valley is dedicated to enhancing the quality of life for its citizens and to provide municipal services in the most effective and efficient manner while exercising fiscal responsibility. The Town completed several major capital projects this past year including the following:

- The Town completed Police Department remodeling project for $44,746.
- The Town completed a major drainage project at Center Street for $540,755 and then paved Center Street for $139,233.
- The Town completed C.D.B.G. project to pave roads in the Chino Meadows area for $282,619.
- The Town contributed $100,000 towards the new roundabout at Road 5 South as part of the ADOT Highway 89 widening project.

The Town also aquired several new pieces of equipment including four new police vehicles, one new administration vehicle, three dump trucks and a loader.

OTHER INFORMATION

Independent Audit

The accounting firm of Henry & Horne, LLP was selected by the Town to perform the annual independent audit. The annual audit is designed to meet the requirement of the Single Audit Act of 1984 and OMB Circular A-133. The independent auditor's report and federal compliance reports are included in the Financial Sections of this report.

Acknowledgements

The preparation of the comprehensive Annual Financial Report was made possible by the dedicated staff of the Finance Department and the assistance of all the Town's departments. I also want to thank the Town Manager for his dedicated commitment to enhancing the financial performance of the Town, and to the Mayor and Council in maintaining the excellent financial status of the Town in a responsible manner.

Respectfully submitted,

Joe R. Duffy, CPA
Finance Director

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Chino Valley

Arizona

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

TOWN OF CHINO VALLEY, ARIZONA

LIST OF PRINCIPAL OFFICIALS

Town Council

Chris Marley, Mayor

Darryl L. Croft, Vice Mayor

Mike R. Best, Council Member

Susie Cuka, Council Member

Corey Mendoza, Council Member

Jack Miller, Council Member

Lon Turner, Council Member

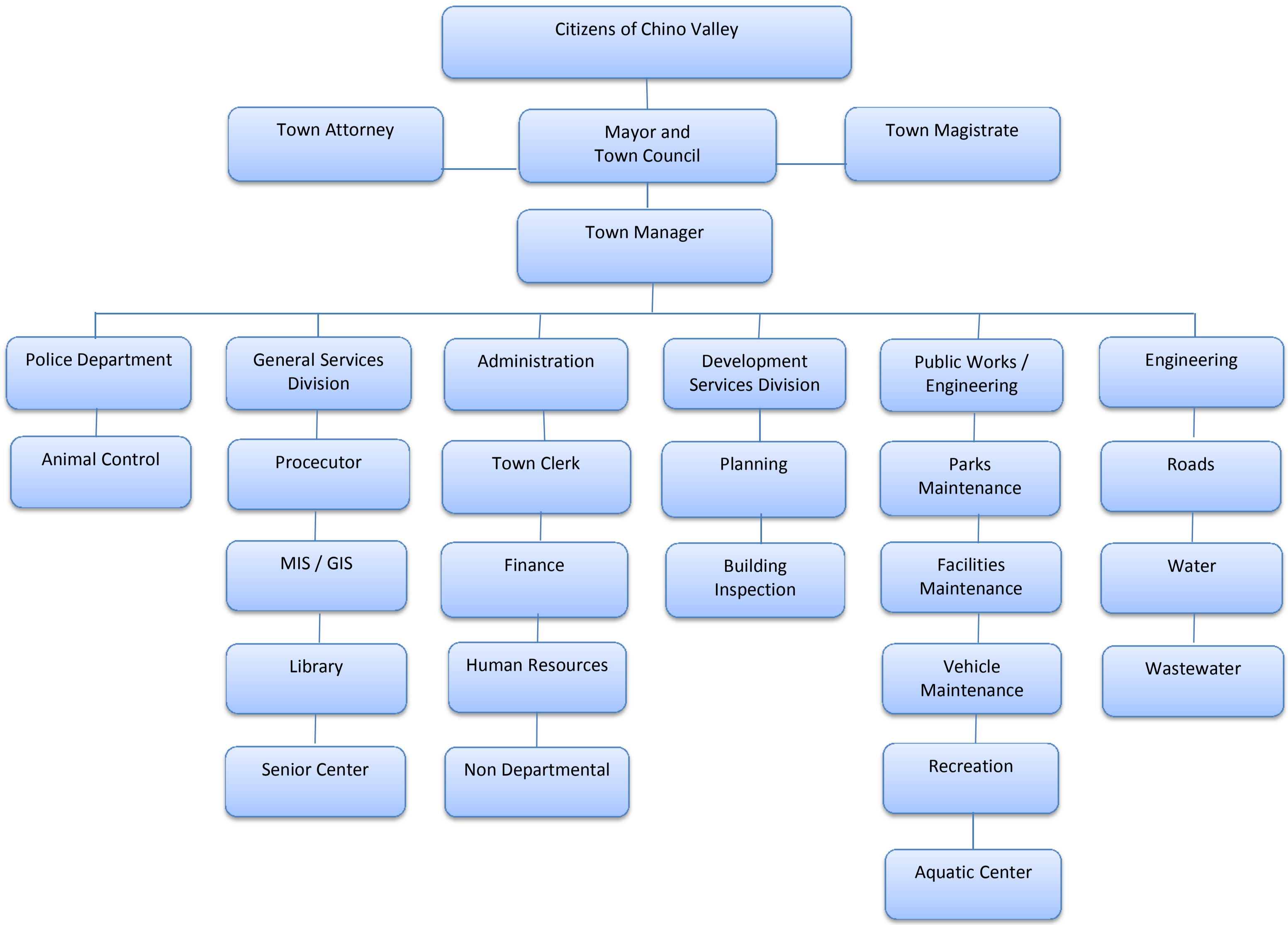
Town Manager

Robert Smith

Finance Director

Joe R. Duffy, CPA

Town of Chino Valley Organization Chart



TOWN OF CHINO VALLEY, ARIZONA

Looking to the Future

Financial Section

TOWN OF CHINO VALLEY, ARIZONA

Looking to the Future

HENRY & HORNE, LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Council
Town of Chino Valley
Chino Valley, Arizona

Report on the Financial Statements

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, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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(480) 483-1170
Fax (480) 483-7126

Casa Grande
1115 E. Cottonwood Lane
Suite 100
Casa Grande, AZ 85122-2950
(520) 836-8201
Fax (520) 426-9432

www.henryandhorne.com

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Chino Valley, Arizona, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As discussed in Note 1 to the financial statements, the Governmental Accounting Standards Board (GASB) issued Statement No. 68, Accounting and Financial Reporting for Pensions, as amended by GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date, and GASB Statement No. 69, Government Combinations and Disposals of Governmental Operations, that could have a material impact on the financial statements. For the Town of Chino Valley, GASB Statement No. 69 has not impacted the financial statements; however, GASB Statements No. 68 and No. 71 have impacted the presentation of the financial statements by establishing standards for measuring and recognizing net pension liabilities, deferred outflows of resources, deferred inflows of resources, and expenses related to pension benefits provided through defined benefit pension plans. In addition, Statement No. 68 requires disclosure of information related to pension benefits. As discussed in Note 12 to the financial statements, the adoption of GASB Statements 68 and 71 resulted in the restatement of beginning net position for governmental activities, business-type activities and the related enterprise funds net position. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Chino Valley, Arizona's basic financial statements. The introductory section, the financial information listed as other supplementary information in the financial section, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The financial information listed as other supplementary information in the financial section is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the financial information listed as other supplementary information in the financial section, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Compliance Over the Use of Highway User Revenue Fund and Other Dedicated State Transportation Revenue Monies

In connection with our audit, nothing came to our attention that caused us to believe that the Town of Chino Valley, Arizona failed to use highway user revenue fund monies received by the Town pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2, and any other dedicated state transportation revenues received by the Town of Chino Valley solely for the authorized transportation purposes, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Town of Chino Valley's noncompliance with the use of highway user revenue fund monies and other dedicated state transportation revenues, insofar as they relate to accounting matters.

The communication related to compliance over the use of highway user revenue fund and other dedicated state transportation revenue monies in the preceding paragraph is intended solely for the information and use of the members of the Arizona State Legislature, the Board of Supervisors, management, and other responsible parties with the Town and is not intended to be and should not be used by anyone other than these specified parties.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2015 on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Chino Valley, Arizona's, internal control over financial reporting and compliance.

Henry + Horne LLP

Casa Grande, Arizona
October 30, 2015

Financial Section

MANAGEMENT'S DISCUSSION & ANALYSIS

TOWN OF CHINO VALLEY, ARIZONA

Looking to the Future

TOWN OF CHINO VALLEY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2015

As management of the Town of Chino Valley, 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, 2015. 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 i of this report.

FINANCIAL ANALYSIS

- Total assets exceed total liabilities (net position) by $17.48 million at the close of the fiscal year.
- Total net position, excluding the impact of GASB Statement 68, increased by $1,147,429.
- Governmental taxes and other governmental revenues exceeded expenses by $405,531.
- Business-type revenues exceeded total business-type expenses, including transfers by $741,898.
- Total revenues from all sources were $14.49 million.
- The total cost of all Town programs was $13.35 million.
- The General Fund reported excess revenue over expenditures and transfers of $601,364.
- At the end of the current fiscal year, fund balance for the General Fund was $4.65 million or 65% 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 of Chino Valley's basic financial statements. The Town of Chino Valley'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 of Chino Valley's finances, in a manner similar to a private-sector business. The *statement of net position* presents financial information on all of the Town of Chino Valley'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 of Chino Valley is improving or deteriorating.

The *statement of activities* presents information showing how the Town of Chino Valley'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 of Chino Valley 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 of Chino Valley include general government, public safety, streets, culture and recreation, and health and welfare. The business-type activities of the Town of Chino Valley include water and sewer.

The government-wide financial statements can be found on pages 17-19 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 of Chino Valley, 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 of Chino Valley 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 of Chino Valley maintains eleven 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, which is considered to be a major fund. Data from the other ten 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 of Chino Valley 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 22-27 of this report.

Proprietary Funds. The Town of Chino Valley 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 of Chino Valley uses enterprise funds to account for its 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 of Chino Valley.

The basic proprietary fund financial statements can be found on pages 30-33 of this report.

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 37-71 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 of Chino Valley's progress in funding its obligation to provide pension and OPEB benefits to its employees. Required supplementary information can be found on pages 75-81 of this report.

The combining statements referred to earlier in connection with non-major governmental funds and non-major governmental fund budgetary comparisons are presented immediately following the required supplementary information on pensions and OPEB. Combining and individual fund statements and schedules can be found on pages 86-89 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the Town's financial position. The Town's combined assets exceed liabilities by $17.48 million as of June 30, 2015 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.

Town of Chino Valley, Arizona
Condensed Statement of Net Position

	Governmental Activities		Business-type Activities		Total Government	
	6/30/2015	6/30/2014	6/30/2015	6/30/2014	6/30/2015	6/30/2014
Current and other assets	$ 7,712,100	$ 7,771,061	$ (348,370)	$ (300,377)	$ 7,363,730	$ 7,470,684
Capital assets	15,733,089	14,277,428	29,272,661	30,398,946	45,005,750	44,676,374
Total assets	23,445,189	22,048,489	28,924,291	30,098,569	52,369,480	52,147,058
Deferred outflows of resources	2,095,563	629,216	97,972	-	2,193,535	629,216
Long-term liabilities outstanding	18,255,051	11,380,716	13,329,322	14,794,780	31,584,373	26,175,496
Other liabilities	1,152,307	815,359	3,392,967	3,393,525	4,545,274	4,208,884
Total liabilities	19,407,358	12,196,075	16,722,289	18,188,305	36,129,647	30,384,380
Deferred inflows of resources	868,622	-	81,386	-	950,008	-
Net position:						
Net investment in capital assets	4,343,890	3,960,511	16,458,815	15,658,866	20,802,705	19,619,377
Restricted	1,686,913	3,331,847	750,922	637,600	2,437,835	3,969,447
Unrestricted	(766,031)	3,189,272	(4,991,149)	(4,386,202)	(5,757,180)	(1,196,930)
Total net position	$ 5,264,772	$ 10,481,630	$ 12,218,588	$ 11,910,264	$ 17,483,360	$ 22,391,894

Governmental Activities

The cost of all Governmental activities, excluding transfers, this year was $10.1 million which is 1.0 million higher than last fiscal year. As shown on the statement of Changes in Net Position below, $583,679 was paid for by those who directly benefited from the programs; $2,098,107 was subsidized by grants received from other governmental organizations for both capital and operating activities. Overall governmental program revenues, including intergovernmental aid, donations, and fees for services were $2.68 million. General taxes and investment earnings totaled $8.12 million.

The Town's programs include: General Government, Public Safety, Public Works/Streets, Culture & Recreation, Health & Welfare, Water, and Sewer Services. Each programs' 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.

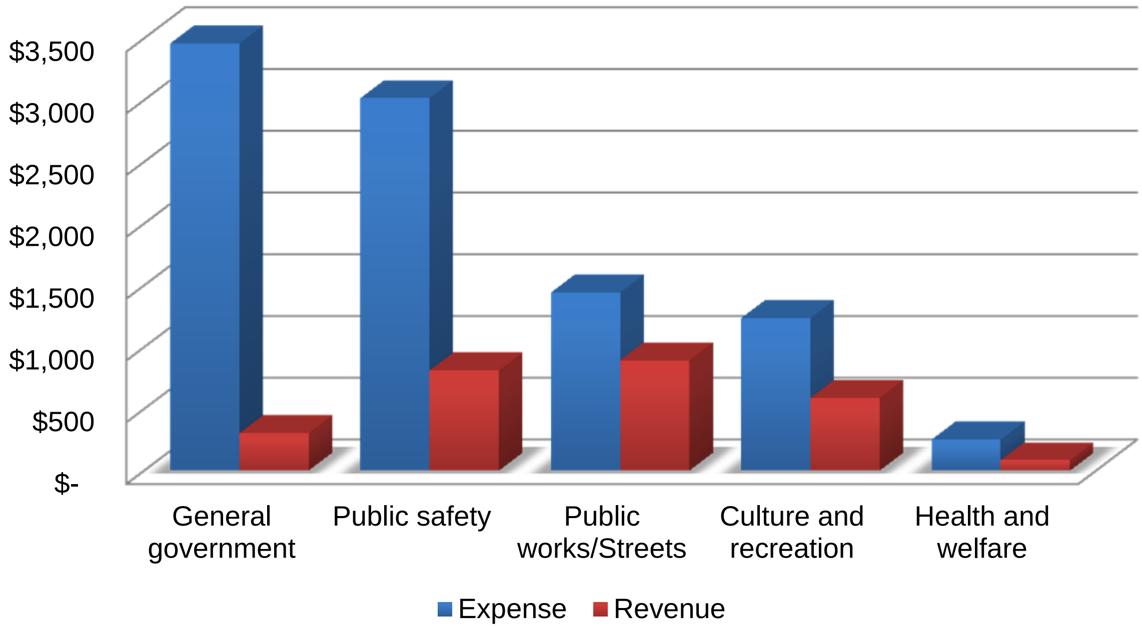
Town of Chino Valley, Arizona
Changes in Net Position

	Governmental Activities		Business-type Activities		Total Government	
	6/30/2015	6/30/2014	6/30/2015	6/30/2014	6/30/2015	6/30/2014
Revenues:						
Program revenues:						
Charges for services	$ 583,679	$ 531,428	$ 1,839,259	$ 1,598,962	$ 2,422,938	$ 2,130,390
Operating grants and contributions	1,292,377	1,144,777	-	-	1,292,377	1,144,777
Capital grants and contributions	805,730	593,475	192,425	367,470	998,155	960,945
General revenues:						
Taxes	6,825,892	6,824,466	-	-	6,825,892	6,824,466
Urban revenue sharing	1,309,465	1,205,692	-	-	1,309,465	1,205,692
Other revenue/(expense)	(12,106)	6,890	1,296	14,573	(10,810)	21,463
Total revenues	10,805,037	10,306,728	2,032,980	1,981,005	12,838,017	12,287,733
Expenses:						
General government	3,457,971	3,414,324	-	-	3,457,971	3,414,324
Public safety	3,015,691	2,414,104	-	-	3,015,691	2,414,104
Public works/Streets	1,440,937	1,301,632	-	-	1,440,937	1,301,632
Culture and recreation	1,235,085	1,200,623	-	-	1,235,085	1,200,623
Health and welfare	251,416	256,884	-	-	251,416	256,884
Interest on long-term debt	717,706	569,141	-	-	717,706	569,141
Water	-	-	770,833	809,977	770,833	809,977
Sewer	-	-	2,461,103	2,459,646	2,461,103	2,459,646
Total expenses	10,118,806	9,156,708	3,231,936	3,269,623	13,350,742	12,426,331
Increase / (decrease) in net position before special items and transfers	686,231	1,150,020	(1,198,956)	(1,288,618)	(512,725)	(138,598)
Special items	-	-	1,660,154	-	1,660,154	-
Transfers in (out)	(280,700)	(220,000)	280,700	220,000	-	-
Change in net position	405,531	930,020	741,898	(1,068,618)	1,147,429	(138,598)
Net position, beginning	10,481,630	9,551,610	11,910,264	12,978,882	22,391,894	22,530,492
Restatement	(5,622,389)	-	(433,574)	-	(6,055,963)	-
Net position, beginning - restated	4,859,241	9,551,610	11,476,690	12,978,882	16,335,931	22,530,492
Ending net position	$ 5,264,772	$ 10,481,630	$ 12,218,588	$ 11,910,264	$ 17,483,360	$ 22,391,894

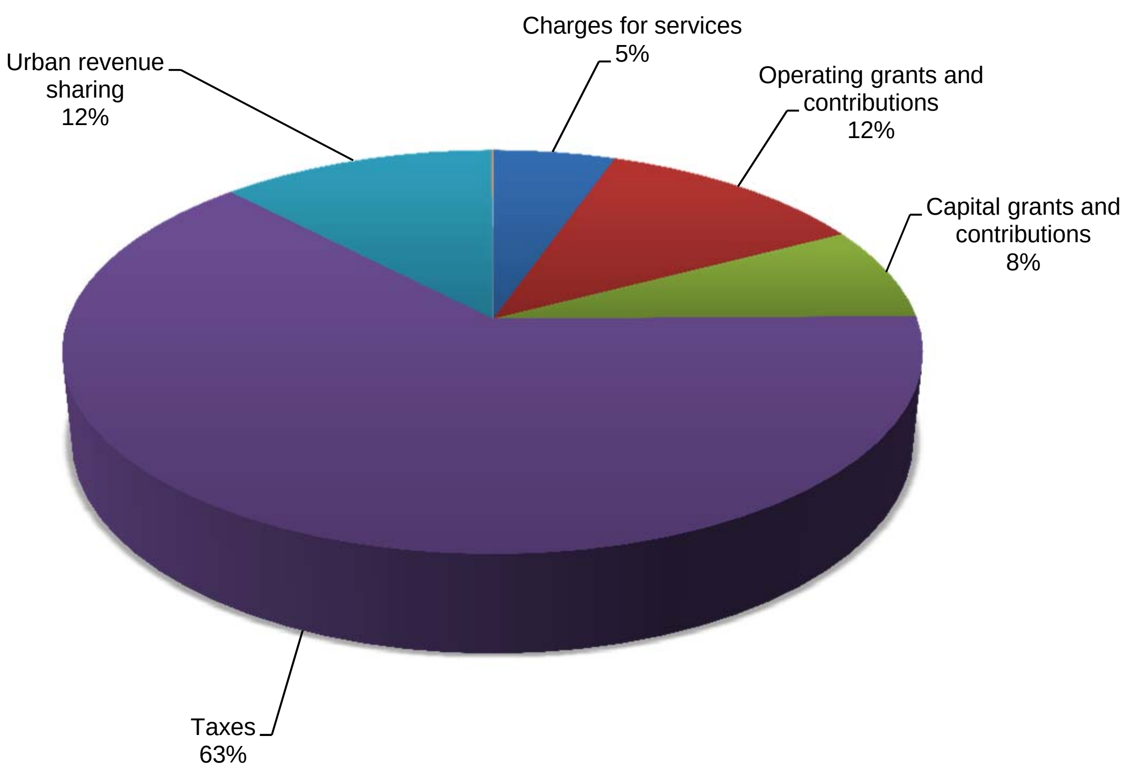
Total resources available during the year to finance governmental operations were $20.3 million, consisting of net position at July 1, 2014 of $9.5 million, program revenues of $2.7 million and General Revenues of $8.1 million. Total Governmental Activities during the year were $9.8 million along with transfers to proprietary funds of $280,700; thus Governmental Net Position was increased by $405,000 million to $5.26 million.

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

Expense and Program Revenues - Governmental Activities
(in Thousands)

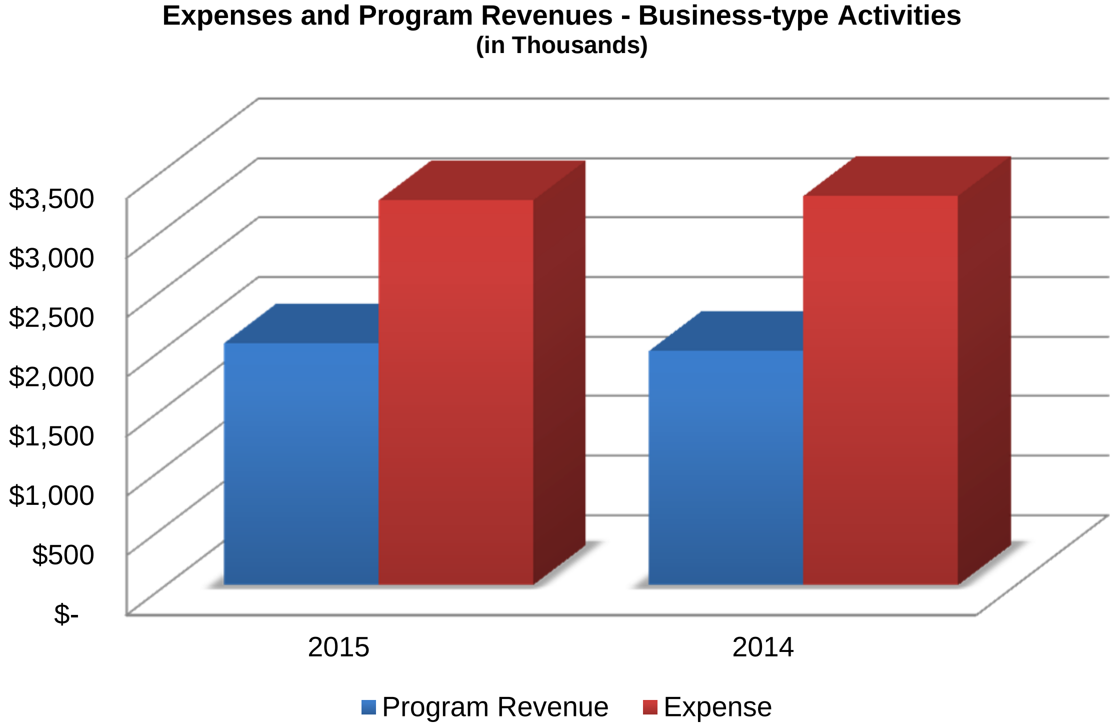


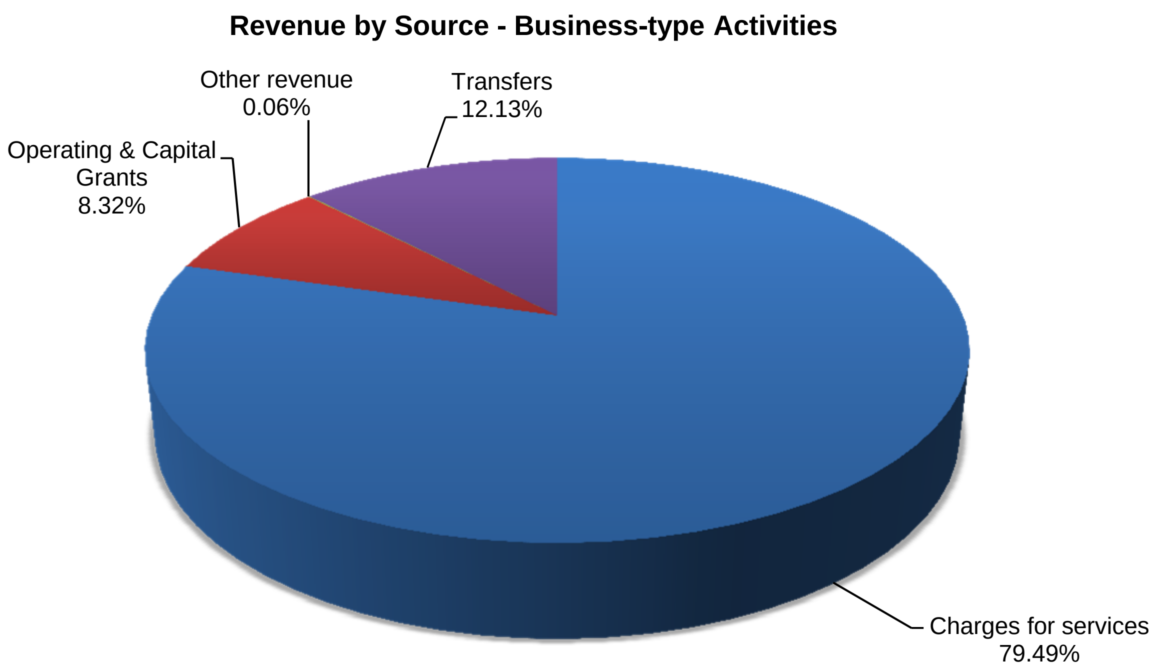
Revenue by Source - Governmental Activities



Business Type Activities

Net position of the Business Type activities at June 30, 2015, as reflected in the Statement of Net Position was $12.2 million. The cost of providing all Proprietary (Business Type) activities this year was $3.21 million. As shown in the statement of Changes in Net Position, the amounts paid by users of the system were $1.8 million and there was $192,425 subsidized by capital grants and contributions. Interest earnings were $1,296 and transfers from governmental funds were $280,700. The Net Position increased by $308,324.





Financial Analysis of the Government's Funds

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

Governmental funds: The focus of the Town of Chino Valley'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 of Chino Valley's financing requirements. In particular, unreserved 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 of Chino Valley's governmental funds reported combined ending fund balances of $6,962,247 a decrease of $81,446 in comparison with the prior year. Approximately, 36.5% of this total amount, $2,548,174 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 of Chino Valley. At the end of the current fiscal year, unreserved, unassigned fund balance in the general fund was $2,548,416, while total fund balance is $4,654,954. 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 35.6% of total general fund expenditures, while total fund balance represents 65.03% of the same amount.

During the year, the Town of Chino Valley's general fund balance increased by $601,364. The key factor in this increase was the Town's continued expenditure control efforts and realized increases in Intergovernmental Revenues and Charges for Service.

The non-major funds of the Town consist of the Highway User Revenue fund, CDBG, Grants fund, Street Lighting Improvement District fund, Debt service fund and development impact fee funds (Police, Library, Parks/Recreations, and Roads) all of which are restricted or assigned for specific purposes. The largest of the non-major funds is the Road Impact Fee fund which reported a decrease of $777,039 in fund balance of for the current fiscal year.

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 $12.21 million as of June 30, 2015. Operating revenues in fiscal year 2015 were $421,936 for water and $1,310,272 for sewer while operating expenses were $744,884 for water and $2,101,020 for sewer, resulting in operating losses of $322,948 for water and $790,748 for sewer. The water and sewer operating expenses increased from the prior year mainly due to additional salary and benefit cost allocations and maintenance and repair costs. The majority of the water net operating loss was offset by transfers in from governmental funds and buy in and connection fees.

General Fund Budgetary Highlights

Actual expenditures, excluding transfers, for the General Fund at year-end were $772,101 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 non-departmental expenses that were less than anticipated and the preservation of the remaining contingencies and reserves budgets. There were amendments made during the year between general fund departments to prevent budget overruns and to increase appropriations for unanticipated expenditures after adoption of the original budget.

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 2015, net capital assets of the government activities totaled $15.73 million and the net capital assets of the business-type activities totaled $29.27 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 $18.2 million in governmental type debt, and $13.3 million in proprietary debt. The debt is a liability of the government and amounts to $2,919 per capita. During the current fiscal year, the Town's total debt decreased by $877,489. (See note 5 to the financial statements)

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

In building the Town Budget for fiscal year 2015/2016, the Town Council and management considered the slight increase in state shared revenues, and the adopted utility rate increases and established expenditure budgets accordingly. The town instituted a merit system for town staff.

Chino Valley's new development had slowed significantly due to economic decline and recession, but all indicators suggest the economic recovery has begun. The Town anticipates steady 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, Finance Department, 202 N. State Route 89, Chino Valley, AZ 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

Looking to the Future

TOWN OF CHINO VALLEY, ARIZONA
STATEMENT OF NET POSITION
June 30, 2015

	Primary Government		
ASSETS	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	$ 4,506,971	$ -	$ 4,506,971
Receivables (net of allowances)	1,079,049	701,332	1,780,381
Internal balances	1,800,624	(1,800,624)	-
Prepaid items/inventory	4,060	-	4,060
Temporarily restricted assets			
Cash and cash equivalents	321,396	750,922	1,072,318
Capital assets:			
Nondepreciable capital assets	2,917,868	3,879,689	6,797,557
Depreciable capital assets (net of accumulated depreciation)	12,815,221	25,392,972	38,208,193
Total assets	23,445,189	28,924,291	52,369,480
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding	566,294	-	566,294
Deferred outflows of resources related to pensions	997,554	64,732	1,062,286
Deferred outflows of employer contributions to pensions	531,715	33,240	564,955
Total deferred outflows of resources	2,095,563	97,972	2,193,535
LIABILITIES			
Accounts payable and other current liabilities	630,517	134,228	764,745
Accrued wages and benefits	119,336	8,610	127,946
Interest payable	402,454	110,522	512,976
Unearned revenue	-	3,139,607	3,139,607
Noncurrent liabilities:			
Due within one year:			
Compensated absences	250,000	11,000	261,000
Capital leases payable	128,957	10,524	139,481
Loans/ developer agreements payable	235,000	550,671	785,671
Bonds payable	-	45,000	45,000
Due in more than one year:			
Compensated absences	152,879	39,068	191,947
Capital leases payable	390,509	81,806	472,315
Loans/ developer agreements payable	3,496,760	11,559,794	15,056,554
Bonds payable	7,137,973	566,051	7,704,024
Net pension liability	6,462,973	465,408	6,928,381
Total liabilities	19,407,358	16,722,289	36,129,647
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	868,622	81,386	950,008
Total deferred inflows of resources	868,622	81,386	950,008
NET POSITION			
Net investment in capital assets	4,343,890	16,458,815	20,802,705
Restricted for:			
Highways and streets	499,537	-	499,537
Capital projects	606,592	-	606,592
Debt service	614,924	750,922	1,365,846
Public safety	93,319	-	93,319
Other purposes	7,673	-	7,673
Unrestricted (deficit)	(901,163)	(4,991,149)	(5,892,312)
Total net position	$ 5,264,772	$ 12,218,588	$ 17,483,360

See accompanying notes.

TOWN OF CHINO VALLEY, ARIZONA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2015

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
General government	$ 3,457,971	$ 285,887	$ 16,709	$ -
Public safety	3,015,691	191,141	100,137	520,147
Public works/streets	1,440,937	15,654	875,814	2,328
Culture and recreation	1,235,085	84,730	220,568	283,255
Health and welfare	251,416	6,267	79,149	-
Interest on long-term debt	717,706	-	-	-
Total governmental activities	10,118,806	583,679	1,292,377	805,730
Business-type activities				
Water	770,833	422,006	-	85,489
Sewer	2,461,103	1,417,253	-	106,936
Total business-type activities	3,231,936	1,839,259	-	192,425
Total primary government	$ 13,350,742	$ 2,422,938	$ 1,292,377	$ 998,155

General revenues
Taxes:
City sales tax
Franchise tax
Property tax
Auto-in-lieu (unrestricted)
State sales taxes (unrestricted)
Urban revenue sharing (unrestricted)
Unrestricted investment earnings
Gain (loss) on sale of capital assets
Miscellaneous
Special items
Transfers in (out)
Total general revenues, special items and transfers
Change in net position

Net position, beginning of year
Restatement
Net position, beginning of year - restated

Net position, end of year

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-type Activities	Total
$ (3,155,375)	$ -	$ (3,155,375)
(2,204,266)	-	(2,204,266)
(547,141)	-	(547,141)
(646,532)	-	(646,532)
(166,000)	-	(166,000)
(717,706)	-	(717,706)
(7,437,020)	-	(7,437,020)
-	(263,338)	(263,338)
-	(936,914)	(936,914)
-	(1,200,252)	(1,200,252)
(7,437,020)	(1,200,252)	(8,637,272)
5,078,635	-	5,078,635
125,124	-	125,124
4,028	-	4,028
629,553		629,553
988,552	-	988,552
1,309,465		1,309,465
6,590	676	7,266
(19,073)	620	(18,453)
377	-	377
-	1,660,154	1,660,154
(280,700)	280,700	-
7,842,551	1,942,150	9,784,701
405,531	741,898	1,147,429
10,481,630	11,910,264	22,391,894
(5,622,389)	(433,574)	(6,055,963)
4,859,241	11,476,690	16,335,931
$ 5,264,772	$ 12,218,588	$ 17,483,360

TOWN OF CHINO VALLEY, ARIZONA

Looking to the Future

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.

Capital Improvement Fund

This fund accounts for sales tax revenues and bond proceeds used for the acquisition and construction of major capital facilities and other internally designated purposes.

Non - Major Funds

Other governmental funds are the non-major funds and are special revenue, debt service and capital project funds.

TOWN OF CHINO VALLEY, ARIZONA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

ASSETS	General	Capital Improvement	Non-Major Governmental Funds	Total Governmental Funds
Cash and cash equivalents	$ 2,583,443	$ 439,643	$ 1,483,885	$ 4,506,971
Receivables, net:				
Accounts receivable	48,542	-	392,295	440,837
Intergovernmental	402,537	150,000	85,675	638,212
Due from other funds	2,075,151	-	-	2,075,151
Prepaids	4,060	-	-	4,060
Restricted cash and investments	-	-	321,396	321,396
Total assets	$ 5,113,733	$ 589,643	$ 2,283,251	$ 7,986,627
LIABILITIES				
Accounts payable	$ 239,442	$ 113	$ 277,644	$ 517,199
Court bonds	6,858	-	-	6,858
Accrued wages and benefits	106,091	-	13,245	119,336
Accrued liabilities	104,540	-	72	104,612
Customer deposits	1,848	-	-	1,848
Due to other funds	-	-	274,527	274,527
Total liabilities	458,779	113	565,488	1,024,380
FUND BALANCES				
Nonspendable				
Due from other funds	1,800,624	-	-	1,800,624
Prepaid items	4,060	-	-	4,060
Restricted				
Highways and streets	35,228	-	464,309	499,537
Capital improvements	-	-	606,592	606,592
Culture and recreation	-	-	7,673	7,673
Debt service	-	-	614,924	614,924
Public safety	68,812	-	24,507	93,319
Assigned				
Capital improvements	197,814	589,530	-	787,344
Unassigned	2,548,416	-	(242)	2,548,174
Total fund balances	4,654,954	589,530	1,717,763	6,962,247
Total liabilities fund balances	$ 5,113,733	$ 589,643	$ 2,283,251	$ 7,986,627

See accompanying notes.

TOWN OF CHINO VALLEY, ARIZONA
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
June 30, 2015

Total governmental funds balances		$ 6,962,247
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		
Governmental capital assets	$ 25,176,050	
Accumulated depreciation	(9,442,961)	15,733,089
Some liabilities, including net pension liabilities, capital leases, loans payable, and bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Net pension liability	(6,462,973)	
Capital leases payable	(519,466)	
Loans payable	(3,620,000)	
Issuance premium	(111,760)	
Bonds payable	(7,280,000)	
Issuance discount	142,027	
Interest payable	(402,454)	
Compensated absences	(402,879)	(18,657,505)
Deferred outflows and inflows of resources related to pensions and deferred charges on debt refundings are applicable to future reporting periods and, therefore, are not reported in the funds.		
Deferred amount on refunding	566,294	
Deferred outflows of resources related to pensions	997,554	
Deferred outflows of employer contributions	531,715	
Deferred inflows of resources related to pensions	(868,622)	1,226,941
Total net position of governmental activities		$ 5,264,772

See accompanying notes.

TOWN OF CHINO VALLEY, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2015

REVENUES	General	Capital Improvement	Non-Major Governmental Funds	Total Governmental Funds
Taxes	$ 3,949,154	$ 1,254,605	$ 4,028	$ 5,207,787
Licenses, permits and fees	275,407	-	1,421	276,828
Intergovernmental revenues	3,119,680	150,000	1,407,290	4,676,970
Charges for services	94,270	-	-	94,270
Fines and forfeitures	208,163	-	-	208,163
Impact fees	-	-	2,712	2,712
Interest income	1,664	2,854	2,072	6,590
Other revenues	3,907	-	34,506	38,413
Total revenues	7,652,245	1,407,459	1,452,029	10,511,733
EXPENDITURES				
Current:				
General government	3,285,849	-	4,924	3,290,773
Public safety	2,699,164	-	90,342	2,789,506
Public works/streets	-	-	1,089,383	1,089,383
Culture and recreation	811,727	-	-	811,727
Health and welfare	226,900	-	152,021	378,921
Capital outlay	100,198	1,509,216	452,562	2,061,976
Debt service:				
Principal retirement	33,361	-	137,342	170,703
Interest and fiscal charges	-	-	341,721	341,721
Total expenditures	7,157,199	1,509,216	2,268,295	10,934,710
Excess (deficiency) of revenues over (under) expenditures	495,046	(101,757)	(816,266)	(422,977)
OTHER FINANCING SOURCES (USES)				
Capital lease agreement	-	607,448	-	607,448
Sale of capital assets	6,318	-	8,465	14,783
Transfers in	100,000	780,347	804,432	1,684,779
Transfers out	-	(1,185,132)	(780,347)	(1,965,479)
Total other financing sources and (uses)	106,318	202,663	32,550	341,531
Net change in fund balances	601,364	100,906	(783,716)	(81,446)
Fund balances - beginning of year	4,053,590	488,624	2,501,479	7,043,693
Fund balances - end of year	$ 4,654,954	$ 589,530	$ 1,717,763	$ 6,962,247

See accompanying notes.

TOWN OF CHINO VALLEY, ARIZONA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2015

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds		$ (81,446)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the difference between depreciation expense and capital outlay in the current period.		
Contributions	312,000	
Capital outlay	2,131,345	
Depreciation expense	(953,828)	1,489,517
Governmental funds report the gross proceeds from the sale of capital assets as revenue. However, in the statement of activities, the gain on the sale of capital assets is reported net of its net book value		(33,856)
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.		
Town pension contributions	531,715	
Pension expense	(711,652)	(179,937)
Capital lease proceeds provide current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the Statement of Activities.		(607,064)
Repayment of long-term debt (e.g., bonds, leases) principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		162,598
Governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.		
Amortization of deferred amount on refunding	(62,922)	
Amortization of bond premiums and discounts - net	1,400	(61,522)
Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		31,704
Interest expense in the statement of activities differs from the amount reported in governmental funds because accrued interest was calculated for outstanding debt for the statement of activities, but is expensed when due for the governmental fund statements.		(314,463)
Change in net position of governmental activities		$ 405,531

TOWN OF CHINO VALLEY, ARIZONA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2015

	Budgeted Amounts			Variance with Final Budget- Positive
REVENUES	Original	Final	Actual Amounts	(Negative)
Taxes				
City sales tax	$ 3,755,363	$ 3,755,363	$ 3,824,030	$ 68,667
Franchise taxes	142,000	142,000	125,124	(16,876)
Total taxes	3,897,363	3,897,363	3,949,154	51,791
Licenses and permits	217,000	217,000	275,407	58,407
Intergovernmental:				
State shared sales tax	977,000	977,000	988,552	11,552
State shared income tax	1,309,000	1,309,000	1,309,465	465
Vehicle license tax	597,000	597,000	629,553	32,553
Grants	58,000	58,000	65,534	7,534
Other intergovernmental	122,000	122,000	126,576	4,576
Total intergovernmental	3,063,000	3,063,000	3,119,680	56,680
Charges for services	98,100	98,100	94,270	(3,830)
Fines and forfeitures	173,500	173,500	208,163	34,663
Interest	1,150	1,150	1,664	514
Other Revenues				
Donations	7,800	7,800	1,999	(5,801)
Charges for administrative services	2,000	2,000	1,031	(969)
Miscellaneous	300	300	877	577
Total other revenues	10,100	10,100	3,907	(6,193)
TOTAL REVENUES	7,460,213	7,460,213	7,652,245	192,032

EXPENDITURES	Budgeted Amounts Original	Final	Actual Amounts	Variance with Final Budget- Positive (Negative)
General government				
Legal services	122,800	122,800	121,690	1,110
Town clerk	244,100	244,100	206,649	37,451
Town Manager	406,600	420,000	415,037	4,963
Human resources	69,850	102,000	97,924	4,076
Municipal court	312,550	318,000	313,763	4,237
Finance	304,450	314,000	306,954	7,046
Information systems	215,650	215,650	189,543	26,107
Mayor & council	31,750	31,750	18,265	13,485
Planning	170,850	170,850	156,882	13,968
Building inspection	273,500	273,500	270,679	2,821
Facilities maintenance	346,650	346,650	317,880	28,770
Fleet maintenance	336,600	336,600	261,967	74,633
Engineering	74,750	74,750	62,467	12,283
Contingencies	436,250	347,150	44,584	302,566
Court collection and improvements	35,000	35,000	14,947	20,053
Capital assets replacements	10,000	10,000	6,710	3,290
Nondepartmental	472,000	472,000	479,908	(7,908)
Total general government	3,863,350	3,834,800	3,285,849	548,951
Public safety				
Police	2,604,000	2,604,000	2,573,138	30,862
Animal control	143,850	143,850	126,026	17,824
Total public safety	2,747,850	2,747,850	2,699,164	48,686
Culture and recreation				
Recreation	69,400	69,400	23,641	45,759
Library	287,700	302,000	298,490	3,510
Parks maintenance	344,500	344,500	289,916	54,584
Aquatics center	239,750	239,750	199,680	40,070
Total culture and recreation	941,350	955,650	811,727	143,923
Health and welfare				
Senior center	230,750	245,000	226,900	18,100
Capital outlay	95,000	95,000	100,198	(5,198)
Debt service:				
Principal retirement	51,000	51,000	33,361	17,639
Interest and fiscal charges	-	-	-	-
Total debt service	51,000	51,000	33,361	17,639
TOTAL EXPENDITURES	7,929,300	7,929,300	7,157,199	772,101
Excess (deficiency) of revenues over (under) expenditures	(469,087)	(469,087)	495,046	964,133
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	6,318	6,318
Transfers in	550,087	550,087	100,000	(450,087)
Total other financing sources (uses)	550,087	550,087	106,318	(443,769)
Net change in fund balance	81,000	81,000	601,364	520,364
Fund balance - beginning of year	4,053,590	4,053,590	4,053,590	-
Fund balance - end of year	$ 4,134,590	$ 4,134,590	$ 4,654,954	$ 520,364

TOWN OF

Looking to the Future

CHINO VALLEY, ARIZONA

Proprietary Fund
Financial Statements

Enterprise Fund

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 NET POSITION
PROPRIETARY FUNDS
June 30, 2015

	Business-type Activities-Enterprise Funds		
ASSETS			
Current assets	Water	Sewer	Total
Receivables (net of allowance)	$ 76,327	$ 182,379	$ 258,706
Hookups receivable	-	442,626	442,626
Total current assets	76,327	625,005	701,332
Noncurrent assets			
Restricted cash and investments	-	750,922	750,922
Land	3,211,136	-	3,211,136
Water rights	668,553	-	668,553
Buildings	6,433	-	6,433
Treatment facilities	-	9,659,455	9,659,455
Water distribution system	3,378,356	-	3,378,356
Sewer collection system	-	20,906,604	20,906,604
Machinery and equipment	205,844	379,724	585,568
Accumulated depreciation	(1,398,467)	(7,744,977)	(9,143,444)
Total noncurrent assets	6,071,855	23,951,728	30,023,583
Total assets	6,148,182	24,576,733	30,724,915
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions	32,366	32,366	64,732
Deferred outflows of employer contributions to pensions	16,620	16,620	33,240
Total deferred outflows of resources	48,986	48,986	97,972
LIABILITIES			
Current liabilities			
Accounts payable	14,039	52,770	66,809
Accrued wages and benefits	4,305	4,305	8,610
Accrued liabilities	7,590	-	7,590
Interest payable	12,941	97,581	110,522
Due to other funds	1,057,070	743,554	1,800,624
Customer deposits	26,475	33,354	59,829
Unearned revenue	-	3,139,607	3,139,607
Compensated absences	5,500	5,500	11,000
Capital leases - current portion	5,262	5,262	10,524
Loans payable - current portion	-	550,671	550,671
Bonds payable - current portion	45,000	-	45,000
Total current liabilities	1,178,182	4,632,604	5,810,786
Noncurrent liabilities			
Compensated absences	19,534	19,534	39,068
Developer agreement payable	420,733	-	420,733
Capital leases, net of current portion	40,903	40,903	81,806
Loans payable, net of current portion	-	11,139,061	11,139,061
Bonds payable, net of current portion	566,051	-	566,051
Net pension liability	232,704	232,704	465,408
Total noncurrent liabilities	1,279,925	11,432,202	12,712,127
Total liabilities	2,458,107	16,064,806	18,522,913
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	40,693	40,693	81,386
NET POSITION			
Net investment in capital assets	4,993,906	11,464,909	16,458,815
Restricted for debt service	-	750,922	750,922
Unrestricted	(1,295,538)	(3,695,611)	(4,991,149)
Total net position	$ 3,698,368	$ 8,520,220	$ 12,218,588

See accompanying notes.

TOWN OF CHINO VALLEY, ARIZONA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2015

	Business-type Activities-Enterprise Funds		
	Water	Sewer	Total
Operating revenues			
Charges for services	$ 388,207	$ 1,310,272	$ 1,698,479
Other revenues	33,729	-	33,729
Total operating revenue	421,936	1,310,272	1,732,208
Operating expenses			
Salaries	153,157	153,157	306,314
Employee benefits	68,370	68,276	136,646
Service, supplies and other	123,942	106,497	230,439
Repairs and maintenance	30,701	391,306	422,007
Utilities	67,122	115,362	182,484
Legal and professional	88,108	201,365	289,473
Contract service	6,502	-	6,502
Training and travel	2,000	-	2,000
Office expenses	7,627	6,111	13,738
Dues and subscriptions	1,936	-	1,936
Depreciation	185,611	1,058,946	1,244,557
Miscellaneous	9,808	-	9,808
Total operating expenses	744,884	2,101,020	2,845,904
Operating income (loss)	(322,948)	(790,748)	(1,113,696)
Non-operating Revenues (Expenses)			
Interest income	-	676	676
Interest expense and fiscal charges	(25,879)	(328,336)	(354,215)
Buy-in and connection fees	85,489	106,936	192,425
Gain (loss) on sale of capital assets	620	-	620
Miscellaneous nonoperating revenues	-	75,234	75,234
Total nonoperating revenue (expense)	60,230	(145,490)	(85,260)
Income (loss) before special items and transfers	(262,718)	(936,238)	(1,198,956)
Special items	-	1,660,154	1,660,154
Transfers in	280,700	-	280,700
Change in net position	17,982	723,916	741,898
Net position, beginning of year	3,897,173	8,013,091	11,910,264
Restatement	(216,787)	(216,787)	(433,574)
Net position, beginning of year - restated	3,680,386	7,796,304	11,476,690
Total net position-end of year	$ 3,698,368	$ 8,520,220	$ 12,218,588

See accompanying notes.

TOWN OF CHINO VALLEY, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2015

	Business-type Activities-Enterprise Funds		
	Water	Sewer	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers, service fees	$ 380,791	$ 1,267,981	$ 1,648,772
Cash received from customers, others	33,729	-	33,729
Cash paid to suppliers	(346,133)	(861,605)	(1,207,738)
Cash paid to employees	(215,829)	(215,735)	(431,564)
Nonoperating receipts	-	75,234	75,234
Cash flows from operating activities	(147,442)	265,875	118,433
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Interfund borrowing	(213,358)	276,838	63,480
Interfund transfers	280,700	-	280,700
Cash flows from noncapital and related financing activities	67,342	276,838	344,180
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Puchase of capital assets	(54,224)	(64,414)	(118,638)
Proceeds from sale of capital assets	986	-	986
Capital debt proceeds	53,949	3,421,349	3,475,298
Principal paid on long term debt	(7,784)	(3,733,494)	(3,741,278)
Interest paid on long-term debt	(13,039)	(302,745)	(315,784)
Connection & impact fees	85,489	221,662	307,151
Cash flows from capital and related financing activities	65,377	(457,642)	(392,265)
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipts from investment earnings	-	676	676
Cash flows from investing activities	-	676	676
NET CHANGE IN CASH AND CASH EQUIVALENTS	(14,723)	85,747	71,024
Cash and cash equivalents at beginning of year	14,723	665,175	679,898
Cash and cash equivalents at end of year	$ -	$ 750,922	$ 750,922

See accompanying notes.

TOWN OF CHINO VALLEY, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (CONTINUED)
Year Ended June 30, 2015

	Business-type Activities-Enterprise Funds		
	Water	Sewer	Total
Reconciliation of operating loss to net cash provided (used) by operating activities:			
Net operating loss	$ (322,948)	$ (790,748)	$ (1,113,696)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:			
Depreciation/amortization expense	185,611	1,058,946	1,244,557
Pension expense	24,244	24,244	48,488
Employer pension contributions	(16,620)	(16,620)	(33,240)
Provision for bad debt	70	31,747	31,817
Nonoperating receipts	-	75,234	75,234
Changes in operating assets and liabilities			
(Increase)/decrease in:			
Accounts receivable	(19,238)	(71,767)	(91,005)
Increase/(decrease) in:			
Accounts payable	(10,214)	(40,964)	(51,178)
Accrued wages and benefits	390	390	780
Accrued liabilities	1,827	-	1,827
Customer deposits	11,752	5,779	17,531
Unearned revenue	-	(8,050)	(8,050)
Compensated absences	(2,316)	(2,316)	(4,632)
Net cash provided (used) by operating activities:	$ (147,442)	$ 265,875	$ 118,433
Noncash investing, capital, and financing activities:			
Gain on sale of assets	620	-	620
Special items - debt forgiveness	-	1,660,154	1,660,154
Amortization of bond premium	100	-	100

TOWN OF CHINO VALLEY, ARIZONA

Looking to the Future

Notes to the Financial Statements

TOWN OF
CHINO VALLEY, ARIZONA
Looking to the Future

NOTE 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.

A. 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.

Individual Component Units – Blended

The Town of Chino Valley, Arizona Municipal Property Corporation's (MPC) board of directors consists of three members which are appointed by the Town of Chino Valley, Arizona's Town Council. The MPC, which is a nonprofit corporation incorporated under the laws of the State of Arizona, was formed for the sole purpose of assisting the Town in obtaining financing for various projects of the Town. The Town has a "moral obligation" for the repayment of the MPC's bonds. For financial reporting purposes, transactions of the MPC are combined together and included as if they were part of the Town's operations.

B. 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 of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation – Government-Wide Financial Statements (Continued)

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.

C. 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 capital leases are reported as other financing sources.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

Sales 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.

D. Deposits and Investments

Cash includes cash on hand, demand deposits with banks and other financial institutions, deposits in other types of accounts or cash management pools that have the general characteristics of demand deposit accounts and short-term investments with original maturities of three months or less from the date of acquisition.

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. Investments are stated at fair value.

E. 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Inventories and Prepaid Items

Purchases of inventory items are recorded at the time of purchase as expenditures in the funds from which the purchases were made; and because the amounts on hand at June 30, 2015, 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.

G. 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.

H. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the Town’s funds, including its fiduciary funds and blended component units. Separate statements for each fund category—governmental, proprietary, and fiduciary—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as 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.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Basis of Presentation – Fund Financial Statements (Continued)

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.

I. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental 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 estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Land, construction in progress, and water rights are not depreciated. The other property, plant, and equipment are depreciated using the straight-line method over the following estimated useful lives:

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

K. 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.

L. Fund Balance Flow Assumptions

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.

M. 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Fund Balance Policies (Continued)

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.

N. 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

O. Compensated Absences

The liability for compensated absences reported in the government-wide statements consists of unpaid, accumulated leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination. For governmental funds, amounts of vested or accumulated vacation and sick leave that are not expected to be liquidated with expendable available financial resources are reported as liabilities in the government-wide statement of net position and as expenses in the government-wide statement of activities. No expenditures are reported for these amounts in the fund financial statements unless they have matured, for example, as a result of employee resignations and retirements. Vested or accumulated vacation and sick leave in the proprietary fund are recorded as an expense and a liability of that fund as the benefits accrue to the employees and are thus recorded in both the government-wide financial statements and the individual fund financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Proprietary Funds Operating and Non-operating Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* 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 non-operating revenues and expenses.

Q. 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.

R. 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 March 12, 2013.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. Budgets and Budgetary Accounting (Continued)

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 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.

Supplementary budgetary appropriations were necessary 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.

S. Expenditures over Appropriations

The Highway User Revenue Fund, CDBG Fund and Library Impact Fees Fund Schedules of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual report an excess of expenditures over appropriations for the year ended June 30, 2015.

T. Deficit Fund Balance

The Street Lighting Improvement District Fund had a deficit fund balance at June 30, 2015 of ($242). This deficit will be financed through future revenues of the fund.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

U. Change in Accounting Principle

In June 2012, the GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions, as amended in November 2013 by GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. GASB Statement Nos. 68 and 71 establish standards for measuring and recognizing net pension liabilities, deferred outflows of resources, deferred inflows of resources, and expenses related to pension benefits provided through defined benefit pension plans. In addition, Statement No. 68 requires disclosure of information related to pension benefits. The requirements of these Statements are effective for financial statements for periods beginning after June 15, 2014. Town of Chino Valley adopted GASBS Nos. 68 and 71 in fiscal year 2015. The adoption of GASBS Nos. 68 and 71 has impacted the presentation of Town of Chino Valley financial statements.

In January 2013, the GASB issued Statement No. 69, Government Combinations and Disposals of Governmental Operations. GASBS No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2013. Town of Chino Valley adopted GASBS No. 69 in fiscal year 2015. The adoption of GASBS No. 69 does not have an impact on Town of Chino Valley' financial statements.

NOTE 2 CASH AND INVESTMENTS

The following table summarizes the Town's cash and investments at June 30, 2015:

	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	$ 4,506,971	-	$ 4,506,971
Restricted cash and cash equivalents	. 321,396	750,922	1,072,318
Total	$ 4,828,367	$ 750,922	$ 5,579,289

Deposits

Cash in bank - At June 30, 2015, the Town had $2,900 of cash on hand. The carrying amount of the Town's cash in bank totaled $1,452,487 and the bank balance was $1,045,030. Of the bank balance, $295,485 was covered by federal depository insurance, and $749,545 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, 2015, the Town had restricted cash and cash equivalents of $1,072,318. Of this balance, $725,475 was restricted in reserve funds for the loans payable to the Water Infrastructure Finance Authority of Arizona (WIFA), $25,447 was restricted in reserve funds for the loans payable to the U.S. Department of Agriculture - Rural Development (USDA) and $321,396 was held in a money market with US Bank.

NOTE 2 CASH AND INVESTMENTS (Continued)

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 5 years.

The dollar weighted average portfolio maturity is 40 days for Pool 5 and 47 days for Pool 7. The net asset value per share of the pool at June 30, 2015 was $1.00. 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, 2015, the Town's funds invested with the State Treasurer totaled $3,051,584.

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:

Investment Type	Remaining Maturity 12 Months or Less
Primary Government	
Money Market	321,396
LGIP	3,051,584
Total	$ 3,372,980

NOTE 2 CASH AND INVESTMENTS (Continued)

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.

		Ratings		
Investment Type	Total	AAAF/S1+	AAA	Unrated
Primary Government				
Money Market	$ 321,396	$ -	$ -	$ 321,396
LGIP	3,051,584	128,454	-	2,923,130
Total	$ 3,372,980	$ 128,454	$ -	$ 3,244,526

NOTE 3 RECEIVABLES

Intergovernmental receivables consist principally of amounts due from the State of Arizona for various taxes, shared revenues, and highway user revenues and also from Yavapai County for reimbursement for a flood management project.

Receivables in the proprietary funds are service billings receivable and are shown net of an allowance for doubtful accounts.

Receivables:	Water Fund	Sewer Fund	Total Enterprise
Service billings receivable	83,327	232,379	315,706
Less: Allowance for doubtful accounts	(7,000)	(50,000)	(57,000)
Net Receivables	$ 76,327	$ 182,379	$ 258,706

Hookups receivable of $442,626 reported in the proprietary funds are for amounts receivable from customers for hookup fees that are paid over a ten year period. Each year the Town bills one tenth of the amount receivable which is recorded as Service Billings Receivable (see above). The remaining long-term portion is recorded as Hookups Receivable.

NOTE 4 CAPITAL ASSETS

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

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$ 2,400,202	$ 18,665	$ -	$ 2,418,867
Construction in progress	318,192	821,564	(640,755)	499,001
Total capital assets not being depreciated	2,718,394	840,229	(640,755)	2,917,868
Capital assets, being depreciated:				
Buildings	10,372,272	75,948	(31,189)	10,417,031
Improvements other than buildings	1,407,563	25,224	(84,025)	1,348,762
Vehicles, furniture and equipment	3,636,817	981,401	(173,697)	4,444,521
Infrastructure	4,886,570	1,161,298	-	6,047,868
Total capital assets being depreciated	20,303,222	2,243,871	(288,911)	22,258,182
Less accumulated depreciation for:				
Buildings	(3,973,254)	(396,557)	19,634	(4,350,177)
Improvements other than buildings	(759,449)	(67,407)	70,819	(756,037)
Vehicles, furniture and equipment	(2,997,982)	(272,973)	164,602	(3,106,353)
Infrastructure	(1,013,503)	(216,891)	-	(1,230,394)
Total accumulated depreciation	(8,744,188)	(953,828)	255,055	(9,442,961)
Total capital assets, being depreciated, net	11,559,034	1,290,043	(33,856)	12,815,221
Governmental activities capital assets, net	$ 14,277,428	$ 2,130,272	$ (674,611)	$ 15,733,089

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

Governmental activities:	
General government	$ 151,764
Public safety	138,598
Highway and streets	284,245
Culture and recreation	375,074
Health and Welfare	4,147
Total depreciation expense	$ 953,828

NOTE 4 CAPITAL ASSETS (Continued)

The following table summarizes the changes to capital assets for business-type activities during the year.

Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$ 3,211,136	$ -	$ -	$ 3,211,136
Water rights	668,553	-	-	668,553
Total capital assets not being depreciated	3,879,689	-	-	3,879,689
Capital assets, being depreciated:				
Buildings	15,273	-	(8,840)	6,433
Treatment facilities	9,659,455	-	-	9,659,455
Water distribution system	3,378,356	-	-	3,378,356
Sewer collection system	20,906,604	-	-	20,906,604
Machinery, equipment & vehicles	467,205	118,363	-	585,568
Total capital assets being depreciated	34,426,893	118,363	(8,840)	34,536,416
Less accumulated depreciation for:				
Buildings	(14,747)	(436)	8,749	(6,434)
Treatment facilities	(1,756,150)	(194,501)	-	(1,950,651)
Water distribution system	(1,094,071)	(171,436)	-	(1,265,507)
Sewer collection system	(4,884,585)	(835,722)	-	(5,720,307)
Machinery, equipment & vehicles	(158,083)	(42,462)	-	(200,545)
Total accumulated deprecation	(7,907,636)	(1,244,557)	8,749	(9,143,444)
Total capital assets, being depreciated, net	26,519,257	(1,126,194)	(91)	25,392,972
Business-Type activities capital assets, net	$ 30,398,946	$ (1,126,194)	$ (91)	$ 29,272,661

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

Business-type activities	
Water	$ 185,611
Sewer	1,058,946
Total depreciation expense	$ 1,244,557

NOTE 5 LONG-TERM DEBT

The following is a summary of changes in long-term obligations for the year ended June 30, 2015:

	Balance 6/30/14	Additions	Retirements	Balance 6/30/15	Due Within One Year
Governmental Activities:					
Bonds payable					
Revenue bond series 2010	$ 7,280,000	$ -	$ -	$ 7,280,000	$ -
Discount on bonds	(150,635)	-	8,608	(142,027)	-
Total bonds payable	7,129,365	-	8,608	7,137,973	-
Loans payable					
GADA 2007 series	3,695,000	-	(75,000)	3,620,000	235,000
Premium on GADA loan	121,768	-	(10,008)	111,760	-
Total loans payable	3,816,768	-	(85,008)	3,731,760	235,000
Capital leases payable					
Equipment lease	-	607,064	(87,598)	519,466	128,957
Total leases payable	-	607,064	(87,598)	519,466	128,957
Compensated absences	434,583	342,203	(373,907)	402,879	250,000
Net pension liability	6,092,454	370,519		6,462,973	-
Total other long term debt	6,527,037	712,722	(373,907)	6,865,852	250,000
Total Governmental Activities	$ 17,473,170	$ 1,319,786	$ (537,905)	$ 18,255,051	$ 613,957
Busisness-type Activities:					
Bonds payable					
Revenue bond series 2010	$ 610,000	$ -	$ -	$ 610,000	$ 45,000
Premium on bonds	1,151	-	(100)	1,051	-
Total bonds payable	611,151	-	(100)	611,051	45,000
Loans payable					
USDA					
Series 2007	1,411,117	-	(38,707)	1,372,410	40,334
Series 2008-1	1,374,409	-	(34,877)	1,339,532	36,343
Series 2008-2	1,216,485	-	(30,820)	1,185,665	32,116
WIFA					
Series 2007	1,166,085		(75,796)	1,090,289	77,886
Series 2008	3,973,676	-	(235,511)	3,738,165	242,138
Series 2014	-	2,963,671	-	2,963,671	121,854
Total loans payable	9,141,772	2,963,671	(415,711)	11,689,732	550,671
Capital leases payable					
Equipment lease	-	107,899	(15,569)	92,330	10,524
Total leases payable	-	107,899	(15,569)	92,330	10,524
Compensated absences	54,699	29,117	(33,748)	50,068	11,000
Construction agreement payable	4,566,425	-	(4,566,425)	-	-
Developer agreement payable	420,733	-	-	420,733	-
Net pension liability	463,912	1,496	-	465,408	-
Total other long term debt	5,505,769	30,613	(4,600,173)	936,209	11,000
Total Business-type Activities	$ 15,258,692	$ 3,102,183	$ (5,031,553)	$ 13,329,322	$ 617,195
Total long-term liabilities	$ 32,731,862	$ 4,421,969	$ (5,569,458)	$ 31,584,373	$ 1,231,152

NOTE 5 LONG-TERM DEBT (Continued)

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

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

	Governmental Activities		Business-type Activities	
Fiscal year ending June 30,	Principal	Interest	Principal	Interest
2016	$ 235,000	$ 504,432	$ 486,878	$ 191,095
2017	240,000	494,444	607,077	366,874
2018	255,000	484,244	628,361	349,239
2019	415,000	474,044	645,147	330,754
2020	480,000	454,794	662,448	311,602
2021 - 2025	3,225,000	1,889,100	3,641,075	1,243,152
2026 - 2030	4,115,000	1,068,650	2,894,255	681,905
2031 - 2035	1,935,000	138,938	1,907,885	336,871
2036 - 2039	-	-	826,606	60,816
Total	$ 10,900,000	$ 5,508,646	$ 12,299,732	$ 3,872,308

The following is a listing of bonds payable outstanding as of June 30, 2015:

Bonds payable:	Balance 6/30/15	Due Within One Year
Governmental Activities:		
MPC Revenue Bonds, Series 2010, due in annual principal and semi-annual interest installments ranging from $150,000 to $990,000 bearing interest at 4.00% to 4.75%, maturing August 2031.	$ 7,280,000	$ -
Business-type Activities:		
MPC Revenue Bonds, Series 2010, due in annual principal and semi-annual interest installments ranging from $45,000 to $70,000 bearing interest at 2.50% to 5.00%, maturing August 2031.	610,000	45,000
Total bonds payable	$ 7,890,000	$ 45,000

NOTE 5 LONG-TERM DEBT (Continued)

The following is a listing of loans payable outstanding as of June 30, 2015:

Loans payable:	Balance 6/30/15	Due Within One Year
Governmental Activities:		
Greater Arizona Development Authority (GADA) loan, due in annual principal and semi-annual interest installments ranging from $65,000 to $385,000 bearing interest at 4.0% to 5.0%, maturing July 1, 2026.	$ 3,620,000	$ 235,000
Business-type Activities:		
U.S. Department of Agriculture - Rural Development (USDA) loan, due in monthly installments, bearing interest at 4.125%, maturing February 2037.	1,372,410	40,334
U.S. Department of Agriculture - Rural Development (USDA) loan, due in monthly installments, bearing interest at 4.125%, maturing April 2038.	1,339,532	36,343
U.S. Department of Agriculture - Rural Development (USDA) loan, due in monthly installments, bearing interest at 4.125%, maturing April 2038.	1,185,665	32,116
Water Infrastructure Finance Authority of Arizona (WIFA) loan, due in semi-annual variable principal and interest installments, bearing interest at 2.758%, maturing July 1, 2026.	1,090,289	77,886
Water Infrastructure Finance Authority of Arizona (WIFA) loan, due in semi-annual variable principal and interest installments, bearing interest at 2.814%, maturing July 1, 2027.	3,738,165	242,138
Water Infrastructure Finance Authority of Arizona (WIFA) loan, due in semi-annual variable principal and interest installments, bearing interest at 2.010%, maturing July 1, 2034.	2,963,671	121,854
Total business-type activities:	11,689,732	550,671
Total loans payable	$ 15,309,732	$ 785,671

Developer agreements payable outstanding as of June 30, 2015:

Developer agreement payable:	Balance 6/30/15	Due Within One Year
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.	$ 420,733	$ -

NOTE 5 LONG-TERM DEBT (Continued)

Capital lease - The Town entered into a lease agreement for capital purchases of $714,963. Such agreements are, in substance, purchases (capital leases) and are reported as capital lease obligations. The lease is payable in annual installments of $150,283 including interest at 1.93%. The following schedule presents future minimum lease payments as of June 30, 2015.

Year Ending, June 30	Governmental Activities	Business-type Activities
2016	$ 127,603	$ 22,680
2017	127,603	22,680
2018	127,603	22,680
2019	127,603	22,680
2020	31,902	5,670
Total requirements	542,314	96,390
Less interest	22,848	4,060
Present value of remaining payments	$ 519,466	$ 92,330

Vehicles and related accumulated depreciation under capital lease are as follows:

	Governmental Activities	Business-type Activities
Asset		
Vehicles	$ 607,390	$ 107,957
Subtotal		
Less accumulated depreciation	(75,827)	(900)
Net	$ 531,563	$ 107,057

NOTE 6 SPECIAL ITEMS

The Town had entered into an agreement with a construction contractor to finance the construction of a wastewater treatment plant. The plant was to be constructed in six phases. Phases I-IV have been constructed and completed in fiscal years 2004-09. Phases IV-VI are for additional plant capacity. As of June 30, 2015 Phases V and VI had not been started. There were no minimum payment requirements under this agreement, rather payments were contingent upon hook-ups to the Town's sewer system. The Town had agreed to pay the contractor $4,100 per hook-up for the first 3,150 hookups to the system. However, during the year ended June 30, 2015, the construction contractor had agreed to cancel the remaining obligation owed of $4,566,425 in exchange for a $3,252,600 cash payment, causing a gain on debt forgiveness of $1,313,825. The Town financed this cash payment by issuing WIFA Loan Series 2014 for $3,442,500, of which WIFA forgave $346,329. The remaining $189,900 WIFA Loan Series 2014 proceeds were used for wastewater treatment plant infrastructure. The total special items gain on debt forgiveness recognized by the Town as of June 30, 2015 was $1,660,154.

NOTE 7 PLEDGED REVENUES

The Town has pledged a portion of the future excise taxes and state shared revenues to repay a $3.8 million GADA loan issued in 2007 and to repay $7.28 million in MPC Revenue Bonds issued in 2010. The loan was used to finance various improvements to the Town. The bonds were used to refund the remaining portion of the MPC 2004 Revenue Bonds. The bonds and loans are payable from excise taxes and state shared revenues of the Town. Annual principal and interest payments on the bonds and loans are estimated to require 10% of excise tax and state shared revenues. Total principal and interest remaining on the loan is $4,690,350 payable through August 2026. The principal and interest remaining on the bond is $11,210,862 payable through August 2031. For the current year, principal and interest paid on the loan was $247,792 and the interest paid on the bonds was $331,638. Total excise taxes and state shared revenues were $8,131,329.

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 $9.4 million in WIFA loans issued in 2007, 2008 and 2014 and $4.4 million in USDA loans issued in 2007 and 2008. 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 and 2034 and the USDA loans are payable through March 2037 and May 2038. Annual principal and interest payments on the loans are estimated to require 7% of total net sewer system, excise taxes and state shared revenues. The total principal and interest remaining to be paid on the WIFA and USDA loans is $5,970,262 and $9,244,401 respectively. For the current year, principal and interest paid was $744,047, sewer system customer net revenues were $1,310,272, and excise taxes and state shared revenues were $8,131,329.

NOTE 8 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

As of June 30, 2015, interfund receivables and payables that resulted from various interfund transactions were as follows:

Fund	Receivable Amount	Payable Amount
General Fund	$ 2,075,151	$ -
Non-Major Governmental Funds	-	274,527
Water Fund	-	1,057,070
Sewer Fund	-	743,554
Total	$ 2,075,151	$ 2,075,151

The outstanding balance in the Water and Sewer fund is for working capital loans borrowed from the General fund in order to offset net losses sustained for several years. The other interfund receivables and payables were recorded to eliminate short-term deficit pooled cash balances in the various funds. Residual balances outstanding between the governmental activities and the business-type activities are netted and reported in the government-wide financial statements as internal balances.

NOTE 8 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (Continued)

Interfund transfers for the fiscal year ended June 30, 2015 are as follows:

Fund	Transfers Out	Transfers In
General Fund	$ -	$ 100,000
Capital Improvements	1,185,132	780,347
Non-Major Governmental Funds	780,347	804,432
Water Fund	-	280,700
Total	$ 1,965,479	$ 1,965,479

Transfers were made to fund various capital improvements, provide funds for debt service payments due on bonds and loans, local matching requirements on various grants, and to support operations.

NOTE 9 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

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

At June 30, 2015, 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 Activites	Total
Net pension liabilities	$ 6,462,973	$ 465,408	$ 6,928,381
Deferred outflows of resources	1,529,269	97,972	1,627,241
Deferred inflows of resources	868,622	81,386	950,008
Pension expense	711,652	48,488	760,140

The Town reported $531,715 of pension contributions as expenditures in the governmental funds related to all pension plans to which it contributes.

A. 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 Web site at www.azasrs.gov.

NOTE 9 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

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

*with actuarially reduced benefits.

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earning. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member’s death. For retired members, the survivor benefit is determined by the retirement benefit option chosen. 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.

NOTE 9 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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, 2015, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.6 percent (11.48 percent for retirement and 0.12 percent for long-term disability) of the members' annual covered payroll, and the Town was required by statute to contribute at the actuarially determined rate of 11.6 percent (10.89 percent for retirement, 0.59 percent for health insurance premium benefit, and 0.12 percent for long-term disability) of the active members' annual covered payroll. The Town's contributions to the pension plan for the year ended June 30, 2015 were $342,190. The Town's contributions for the current and 2 preceding years for OPEB, all of which were equal to the required contributions, were as follows:

ASRS Year ended June 30	Health Benefit Supplement Fund	Long-Term Disability Fund
2015	$ 17,699	$ 3,540
2014	14,352	5,741
2013	16,106	5,947

During fiscal year 2015, the Town paid for ASRS pension and OPEB contributions as follows: 72 percent from the General Fund, 5 percent from the water fund, 5 percent from the sewer fund and 18 percent from other non-major funds.

Pension Liability - At June 30, 2015, the Town reported a liability of $4,475,083 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2013, to the measurement date of June 30, 2014. 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, 2014. The Town's proportion measured as of June 30, 2014, was 0.030244 percent, which was an increase of 0.003412% from its proportion measured as of June 30, 2013.

The Town's reported liability at June 30, 2015, increased by $14,383 from the Town's prior year liability of $4,460,700 because of changes in the ASRS' net pension liability and the Town's proportionate share of that liability. The ASRS' publicly available financial report provides details on the change in the net pension liability.

NOTE 9 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Pension Expense and Deferred Outflows/Inflows of Resources - For the year ended June 30, 2015, the TownAuditAuditAuditAuditAuditAudit recognized pension expense for ASRS of $466,220. At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

ASRS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 227,437	$ -
Net difference between projected and actual earnings on pension plan investments	-	782,554
Changes in proportion and differences between Town contributions and proportionate share of contributions	394,992	-
Town contributions subsequent to the measurement date	320,950	-
Total	$ 943,379	$ 782,554

The $320,950 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 pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

Year ending June 30	
2016	$ 74,983
2017	74,983
2018	(114,452)
2019	(195,639)
Thereafter	-

NOTE 9 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

ASRS	
Actuarial valuation date	June 30, 2013
Actuarial roll forward date	June 20, 2014
Actuarial cost method	Entry age normal
Investment rate of return	8%
Projected salary increases	3 - 6.75%
Inflation	3%
Permanent benefit increase	Included
Mortality rates	1994 GAM Scale BB

Actuarial assumptions used in the June 30, 2013, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2012.

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

ASRS

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	63%	7.03%
Fixed Income	25%	3.20%
Real estate	8%	4.50%
Commodities	4%	4.75%
Total	100%	

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

NOTE 9 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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 8 percent, 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 1 percentage point lower (7 percent) or 1 percentage point higher (9 percent) than the current rate:

ASRS	1% Decrease (7%)	Current Discount Rate (8%)	1% increase (9%)
Town's proportionate share of the net pension liability	$ 5,656,276	$ 4,475,083	$ 3,834,227

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

B. 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). The PSPRS administers an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium benefit (OPEB) plan (agent plans). A seven-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 reports are available on the PSPRS web site at www.psprs.com.

NOTE 9 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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:

PSPRS	**Initial membership date:**	
	Before January 1, 2012	**On or after January 1, 2012**
Retirement and Disability		
Years of service and age required to receive benefit	20 years any age 15 years age 62	25 years and age 52.5
Final average salary is based on	Highest 36 months of last 20 years	Highest 60 months of last 20 years
Benefit percent		
Normal Retirement	50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	2.5% per year of credited service, not to exceed 80%
Accidental Disability Retirement	50% or normal retirement, whichever is greater	
Catastrophic Disability Retirement	90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater	
Ordinary Disability Retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, mulitiplied by years of credited service (not to exceed 20 years) divided by 20	
Survivor Benefits		
Retired Members	80% of retired member's pension 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	

NOTE 9 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

Employees Covered by Benefit Terms - At June 30, 2015, the following employees were covered by the agent pension plans' benefit terms:

	PSPRS Police
Inactive employees or beneficiaries currently receiving benefits	7
Inactive employees entitled to by not yet receiving benefits	5
Active employees	19
Total	31

Contributions and Annual OPEB Cost - 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. Contribution rates for the year ended June 30, 2015, are indicated below. Rates are a percentage of active members' annual covered payroll.

	PSPRS Police
Active members - Pension	20.51%
Town	
Pension	19.12%
Health insurance permium benefit	1.39%

In addition, the Town was required by statute to contribute at the actuarially determined rate of 19.65 percent for the PSPRS of annual covered payroll of retired members who worked for the Town in positions that would typically be filled by an employee who contributes to the PSPRS.

NOTE 9 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

For the agent plans, the Town's contributions to the pension plan and annual OPEB cost and contributions for the health insurance premium benefit for the year ended June 30, 2015, were:

	PSPRS Police
Pension	
Contributions made	$ 244,006
Health Insurance Permium Benefit	
Annual OPEB cost contributions made	17,739

During fiscal year 2015, the Town paid 100 percent of the PSPRS pension and OPEB contributions from the General Fund.

Pension Liability - At June 30, 2015, the Town reported a PSPRS net pension liabilities of $2,453,299.

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability as of June 30, 2014, reflect the following changes of benefit terms and actuarial assumptions.

- In February 2014, the Arizona Supreme Court affirmed a Superior Court ruling that a 2011 law that changed the mechanism for funding permanent benefit increases was unconstitutional. As a result, the plans changed benefit terms to reflect the prior mechanism for funding permanent benefit increases and revised actuarial assumptions to explicitly value future permanent benefit increases.
- The wage growth actuarial assumption was decreased from 4.5 percent to 4.0 percent.

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

PSPRS

Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Discount rate	7.85%
Projected salary increases	4.0% - 8.0%
Inflation	4.00%
Permanent benefit increase	Included
Mortality rates	RP-2000 mortality table (adjusted by 105% for both males and females)

NOTE 9 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial assumptions used in the June 30, 2014, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2011.

The long-term expected rate of return on PSPRS pension plan investments was determined to be 7.85 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment 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:

PSPRS Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. equity	16.00%	7.60%
Non-U.S. equity	14.00%	8.63%
Private equity	11.00%	9.50%
Fixed income	7.00%	4.75%
Credit opportunities	13.00%	8.00%
Absolute return	4.00%	6.75%
GTAA	10.00%	5.73%
Real assets	8.00%	5.96%
Real estate	11.00%	6.50%
Risk Parity	4.00%	6.04%
Short term investments	2.00%	3.25%
Total	100.00%	

Pension Discount Rates – A 7.85 percent discount rates was used to measure the total pension liability.

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 pension 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 pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 9 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Changes in the Net Pension Liability

PSPRS - Police	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2014	$ 5,720,184	$ 3,807,798	$ 1,912,386
Changes for the year:			
Service Cost	218,803		218,803
Interest on the total pension liability	443,158		443,158
Changes of benefit terms	63,139		63,139
Differences between expected and actual experience in the measurement of the pension liability	15,592		15,592
Changes of assumptions or other inputs	509,521		509,521
Contributions - employer		208,691	(208,691)
Contributions - employee		126,689	(126,689)
Net investment income		498,013	(498,013)
Benefit payments, including refunds			-
of employee contributions	(368,517)	(368,517)	-
Administrative expense		(4,043)	4,043
Other changes		(120,050)	120,050
Net changes	881,696	340,783	540,913
Balances at June 30, 2015	$ 6,601,880	$ 4,148,581	$ 2,453,299

Sensitivity of the Town's Net Pension Liability to Changes in the Discount Rate - The following table presents the Town's net pension liabilities calculated using the discount rates noted above, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

PSPRS - Police	1% Decrease (6.85%)	Current Discount Rate (7.85%)	1% increase (8.85%)
Total pension liability	$ 7,412,045	$ 6,601,880	$ 5,927,410
Plan fiduciary net position	4,148,581	4,148,581	4,148,581
Net pension liability	$ 3,263,464	$ 2,453,299	$ 1,778,829

NOTE 9 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Pension Plan Fiduciary Net Position - Detailed information about the pension plans' fiduciary net position is available in the separately issued PSPRS financial reports.

Pension Expense - For the year ended June 30, 2015, the Town recognized $293,919 of PSPRS pension expense.

Pension Deferred Outflows/Inflows of Resources - At June 30, 2015, 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	$ 13,061	$ -
Changes of assumptions or other inputs	426,797	-
Net difference between projected and actual earnings on pension plan investments	-	167,454
Town contributions subsequent to the measurement date	244,006	-
Total	$ 683,864	$ 167,454

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 pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30,	PSPRS Police
2016	$ 43,392
2017	43,392
2018	43,392
2019	43,392
2020	85,255
Thereafter	13,581

NOTE 9 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Agent plan OPEB actuarial assumptions - The health insurance premium benefit contribution requirements for the year ended June 30, 2015, were established by the June 30, 2013, actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions.

Actuarial valuations involve estimates of the reported amounts' value and assumptions about the probability of events in the future. Amounts determined regarding the plans' funded status and the annual required contributions are subject to continual revision as actual results are compared to past expectations and new estimates are made. The required schedule of funding progress for the health insurance premium benefit presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of the plans' assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Projections of benefits are based on (1) the plans as the Town and plans' members understand them and include the types of benefits in force at the valuation date, and (2) the pattern of sharing benefit costs between the Town and plans' members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The significant actuarial methods and assumptions used are the same for all PSPRS plans and related benefits (unless noted), and the following actuarial methods and assumptions were used to establish the fiscal year 2015 contribution requirements:

PSPRS - OPEB Contribution Requirements	
Actuarial valuation date	June 30, 2013
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	23 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 20% corridor
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4.5% - 8.5% for PSPRS
Wage growth	4.5% for PSPRS

NOTE 9 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Agent plan OPEB trend information - Annual OPEB cost information for the health insurance premium benefit for the current and 2 preceding years follows for each of the agent plans:

PSPRS - Police

Year Ended June 30	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Obligation
2015	$ 17,739	100%	$ -
2014	16,991	100%	-
2013	17,091	100%	-

Agent plan OPEB funded status - The health insurance premium benefit plans' funded status as of the most recent valuation date, June 30, 2014, along with the actuarial assumptions and methods used in those valuations follow:

	PSPRS Police
Actuarial value of assets (a)	$ 222,278
Actuarial accrued liability (b)	174,025
Unfunded actuarial accrued liability (funded excess) (b) - (a)	(48,253)
Funded ratio (a)/(b)	127.73%
Annual covered payroll (c)	$ 1,077,712
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll (b) - (a) / (c)	0.00%

The actuarial methods and assumptions used are the same for all the PSPRS health insurance premium benefit plans (unless noted), and for the most recent valuation date are as follows:

PSPRS - OPEB Funded Status	
Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	22 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 20% corridor
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4% - 8% for PSPRS
includes inflation at	4% for PSPRS

NOTE 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, 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 Arizona Municipal Risk Retention Pool is structured such that member's 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 is also insured by commercial insurance for potential worker related accidents.

NOTE 11 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, 2015.

Sick leave benefits provide for ordinary sick pay and are cumulative and hours over 192 per employee are vested at a rate of 25 percent.

The Town has entered into agreements whereby it will reimburse developers a portion of sales tax collected on their sites for up to ten years or a maximum dollar amount. The funding source for the reimbursements will come from the sales taxes collected on the sites over the term of the agreements. The Town does not become liable under the agreement until the developer has collected and remitted the sales taxes to the Town. At June 30, 2015, the Town's estimated liability is $317,056 under such agreements.

At year end, the Town had the following major construction projects/commitments open:

Project	Spent to Date	Remaining Commitment
Chino Meadows Unit 5	125,186	674,814
Road 1 East & 3 South	44,381	305,619
Chino Valley Skate Park	29,434	70,557
Total	$ 199,001	$ 1,050,990

NOTE 12 RESTATEMENT

The Town of Chino Valley adopted GASB Statement No. 68 Accounting and Financial Reporting for Pensions, as amended by GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. As a result, the effect on fiscal year 2015 is as follows:

	Governmental Activities	Business-type Activities	Water Fund	Sewer Fund
Net Position as previously reported at June 30, 2014	$ 10,481,630	$ 11,910,264	$ 3,897,173	$ 8,013,091
Restatement -				
Implementation of GASB 68:				
Net pension liability (measurement date as of June 30, 2013)	(6,092,454)	(463,912)	(231,956)	(231,956)
Deferred outflows - Town contributions made during fiscal year 2014	470,065	30,338	15,169	15,169
Total restatement	(5,622,389)	(433,574)	(216,787)	(216,787)
Net position as restated, July 1, 2014	$ 4,859,241	$ 11,476,690	$ 3,680,386	$ 7,796,304

TOWN OF
CHINO VALLEY, ARIZONA

Looking to the Future

Required Supplementary Information

TOWN OF CHINO VALLEY, ARIZONA

Looking to the Future

TOWN OF CHINO VALLEY, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
COST-SHARING PENSION PLAN
June 30, 2015

Arizona Retirement System	Reporting Fiscal Year (Measurement Date)	
	2015 (2014)	2014 through 2006
Town's proportion of the net pension liability	0.030244%	Information
Town's proportionate share of the net pension liability	$ 4,475,083	not available
Town's covered-employee payroll	2,681,176	
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	166.91%	
Plan fiduciary net position as a percentage of the total pension liability	69.49%	

See accompanying notes to pension plan schedules.

TOWN OF CHINO VALLEY, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE TOWN'S NET PENSION LIABILITY AND RELATED RATIOS
AGENT PENSION PLAN
June 30, 2015

Chino Valley Police Dept.
Public Safety Personnel Retirement System

	Reporting Fiscal Year (Measurement Date) 2015 (2014)	2014 through 2006
Total pension liability		
Service cost	$ 218,803.00	Information
Interest on the total pension liability	443,158	not available
Changes on benefit terms	63,139	
Differences between expected and actual experience in the measurement of the pension liability	15,592	
Changes of assumptions or other inputs	509,521	
Benefit payments, including refunds of employee contributions	(368,517)	
Net change in total pension liability	881,696	
Total pension liability - beginning	5,720,184	
Total pension liability - ending (a)	$ 6,601,880	
Plan fiduciary net position		
Contributions - employer	$ 208,691	
Contributions - employee	126,689	
Net investment income	498,013	
Benefit payments, including refunds of employee contributions	(368,517)	
Administrative expense	(4,043)	
Other changes	(120,050)	
Net change in plan fiduciary net position	340,783	
Plan fiduciary net position - beginning	3,807,798	
Plan fiduciary net position - ending (b)	$ 4,148,581	
Town's net pension liability - ending (a) - (b)	$ 2,453,299	

See accompanying notes to pension plan schedules.

TOWN OF CHINO VALLEY, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE TOWN'S NET PENSION LIABILITY AND RELATED RATIOS
AGENT PENSION PLAN (CONTINUED)
June 30, 2015

Chino Valley Police Dept.
Public Safety Personnel Retirement System

	Reporting Fiscal Year (Measurement Date) 2015 (2014)	2014 through 2006
Plan fiduciary net position as a percentage of the total pension liability	62.84%	Information not available
Covered-employee payroll	$ 1,091,480	
Town's net pension liability as a percentage of covered-employee payroll	224.77%	

See accompanying notes to pension plan schedules.

TOWN OF CHINO VALLEY, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF TOWN PENSION CONTRIBUTIONS
June 30, 2015

Arizona Retirement System	Reporting Fiscal Year 2015	2014	2013 through 2006
Statutorily required contribution	$ 291,712	$ 244,056	Information not available
Town's contributions in relation to the statutorily required contribution	291,712	244,056	
Town's contribution deficiency (excess)	$ -	$ -	
Town's covered-employee payroll	$ 2,681,176	$ 2,280,897	
Town's contributions as a percentage of covered-employee payroll	10.88%	10.70%	

Chino Valley Police Dept. Public Safety Personnel Retirement System	Reporting Fiscal Year 2015	2014	2013 through 2006
Actuarially determined contribution	$ 208,691	$ 173,196	Information not available
Town's contributions in relation to the actuarially determined contribution	208,691	173,196	
Town's contribution deficiency (excess)	$ -	$ -	
Town's covered-employee payroll	$ 1,091,480	$ 971,919	
Town's contributions as a percentage of covered-employee payroll	19.12%	17.82%	

See accompanying notes to pension plan schedules.

NOTE 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 closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period as of the 2013 actuarial valuation	23 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 80%/120% market
Actuarial assumptions:	
Investment rate of return	In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%
Projected salary increases	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 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5% for PSPRS.
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	RP-2000 mortality table (adjusted by 105% for both males and females)

NOTE 2 FACTORS THAT AFFECT TRENDS

Changes of benefit terms include the payout of Retro PBI and a change in the employee contribution rate. Changes of assumptions include a decrease in the wage assumption from 4.5% to 4.0% as well the inclusion of an assumption to explicitly value future PBI. In 2014 other changes also include the removal of assets specifically set aside for Health Insurance from Pension Assets.

TOWN OF CHINO VALLEY, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF AGENT OPEB PLANS' FUNDING PROGRESS
June 30, 2015

Health Insurance Premium Benefit

Actuarial Valuation Date	Actuarial value of assets (a)	Actuarial accrued liability (b)	Unfunded actuarial accrued liability (UAAL) (funding excess) (b) - (a)	Funded ratio (a)/(b)	Annual covered payroll (c)	UAAL (funding excess) as a percentage of covered payroll (b) - (a)/(c)
PSPRS Police						
6/30/2014	$ 222,278	$ 174,025	$ (48,253)	127.73%	$ 1,077,712	0.00%
6/30/2013	-	184,056	184,056	0.00%	1,163,976	15.81%
6/30/2012	-	187,398	187,398	0.00%	1,034,332	18.12%

The health insurance subsidy payment reported for FY 2014 was $6,690

NOTE 1 FACTORS THAT AFFECT THE IDENTIFICATION OF TRENDS

Beginning in fiscal year 2014, PSPRS established separate funds for pension benefits and health insurance premium benefits. Previously, the plan recorded both pension and health insurance premium contributions in the same Pension Fund. During fiscal year 2014, the plans transferred prior-year health insurance premium benefit contributions that exceeded benefit payments from each plan's Pension Fund to the new Health Insurance Fund.

TOWN OF CHINO VALLEY, ARIZONA

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COMBINING NON-MAJOR FUND FINANCIAL STATEMENTS

TOWN OF CHINO VALLEY, ARIZONA

Looking to the Future

Non-Major Government Funds
Financial Statements

Special Revenue 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.

- **CDBG Grants Fund -** This fund accounts for federal and state grants received through the Community Development Block Grant Program.

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

- **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.

Debt Service Fund

- **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 Project Fund

- **Police Impact Fee Fund -** This fund accounts for development impact fees earmarked for the development of Town police department facilities.

- **Library Impact Fee Fund -** This fund accounts for development impact fees earmarked for the development of the Town Library.

- **Parks and Recreation Impact Fee Fund -** This fund accounts for development impact fees earmarked for the development of Town parks and recreation facilities.

- **Roads Impact Fee Fund -** This fund accounts for development impact fees earmarked for the development of Town roads.

TOWN OF CHINO VALLEY, ARIZONA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2015

	Special Revenue			
ASSETS	Highway User Revenue Fund	CDBG	Grants	Street Lighting Improvement District
Cash and cash equivalents	$ 477,317	$ -	$ 14,398	$ -
Receivables, net:				
Accounts receivable	-	266,693	125,595	7
Intergovernmental	85,675	-	-	-
Restricted cash and investments	-	-	-	-
Total assets	$ 562,992	$ 266,693	$ 139,993	$ 7
LIABILITIES				
Accounts payable	$ 5,035	$ 257,140	$ 4,809	$ 48
Accrued wages and benefits	13,245	-	-	-
Accrued liabilities	20	-	52	-
Due to other funds	183,335	9,553	-	201
Total liablilties	201,635	266,693	4,861	249
FUND BALANCES				
Restricted				
Highways and streets	361,357	-	102,952	-
Capital improvements	-	-	-	-
Culture and recreation	-	-	7,673	-
Debt service	-	-	-	-
Public safety	-	-	24,507	-
Unassigned	-	-	-	(242)
Total fund balances	361,357	-	135,132	(242)
Total liabilities and fund balances	$ 562,992	$ 266,693	$ 139,993	$ -

	Capital Projects				
Debt Service	Police Impact Fee	Library Impact Fee	Parks and Recreation Impact Fee	Roads Impact Fee	Total
$ 293,528	$ 35,883	$ -	$ 18,294	$ 644,465	$ 1,483,885
-	-	-	-	-	392,295
-	-	-	-	-	85,675
321,396	-	-	-	-	321,396
$ 614,924	$ 35,883	$ -	$ 18,294	$ 644,465	$ 2,283,251
$ -	$ 10,612	$ -	$ -	$ -	$ 277,644
-	-	-	-	-	13,245
-	-	-	-	-	72
-	12,016	-	13	69,409	274,527
-	22,628	-	13	69,409	565,488
-	-	-	-	-	464,309
-	13,255	-	18,281	575,056	606,592
-	-	-	-	-	7,673
614,924	-	-	-	-	614,924
-	-	-	-	-	24,507
-	-	-	-	-	(242)
614,924	13,255	-	18,281	575,056	1,717,763
$ 614,924	$ 35,883	$ -	$ -	$ -	$ 2,283,251

TOWN OF CHINO VALLEY, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2015

	Special Revenue			
REVENUES	Highway User Revenue Fund	CDBG	Grants	Street Lighting Improvement District
Taxes	$ -	$ -	$ -	$ 4,028
Licenses and permits	1,421	-	-	-
Intergovernmental	841,796	266,693	282,239	-
Impact Fees	-	-	-	-
Interest	998	-	16	-
Other revenues	14,233	-	20,273	-
Total revenues	858,448	266,693	302,528	4,028
EXPENDITURES				
Current:				
General government	-	-	4,924	-
Public safety	-	-	90,342	-
Public works/streets	1,085,449	-	-	3,934
Health & welfare	-	-	152,021	-
Capital outlay	30,496	266,693	46,482	-
Debt service:				
Principal retirement	62,342	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	1,178,287	266,693	293,769	3,934
Excess of revenues over (under) expenditures	(319,839)	-	8,759	94
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	8,465	-	-	-
Transfers in	-	-	65,000	-
Transfers out	-	-	-	-
Total other financing sources (uses)	8,465	-	65,000	-
Net change in fund balances	(311,374)	-	73,759	94
Fund balances - beginning of year	672,731	-	61,373	(336)
Fund balances - end of year	$ 361,357	$ -	$ 135,132	$ (242)

		Capital Projects				
	Debt Service	Police Impact Fee	Library Impact Fee	Parks and Recreation Impact Fee	Roads Impact Fee	Total
	$ -	$ -	$ -	$ -	$ -	$ 4,028
	-	-	-	-	-	1,421
	-	-	16,562	-	-	1,407,290
	-	384	-	-	2,328	2,712
	-	52	-	26	980	2,072
	-	-	-	-	-	34,506
	-	436	16,562	26	3,308	1,452,029
	-	-	-	-	-	4,924
	-	-	-	-	-	90,342
	-	-	-	-	-	1,089,383
	-	-	-	-	-	152,021
	-	69,970	16,562	22,359	-	452,562
	75,000	-	-	-	-	137,342
	341,721	-	-	-	-	341,721
	416,721	69,970	16,562	22,359	-	2,268,295
	(416,721)	(69,534)	-	(22,333)	3,308	(816,266)
	-	-	-	-	-	8,465
	739,432	-	-	-	-	804,432
	-	-	-	-	(780,347)	(780,347)
	739,432	-	-	-	(780,347)	32,550
	322,711	(69,534)	-	(22,333)	(777,039)	(783,716)
	292,213	82,789	-	40,614	1,352,095	2,501,479
	$ 614,924	$ 13,255	$ -	$ 18,281	$ 575,056	$ 1,717,763

TOWN OF CHINO VALLEY, ARIZONA

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TOWN OF CHINO VALLEY, ARIZONA

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TOWN OF CHINO VALLEY, ARIZONA
CAPITAL IMPROVEMENTS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
Year Ended June 30, 2015

	Budgeted Amounts			Variance with Final Budget-Positive
REVENUES	Original	Final	Actual Amounts	(Negative)
City sales tax	$ 1,240,760	$ 1,240,760	$ 1,254,605	$ 13,845
Intergovernmental revenues	2,400,000	2,400,000	150,000	(2,250,000)
Interest	800	800	2,854	2,054
Total revenues	3,641,560	3,641,560	1,407,459	(2,234,101)
EXPENDITURES				
Capital outlay	13,776,000	13,776,000	1,509,216	12,266,784
Total expenditures	13,776,000	13,776,000	1,509,216	12,266,784
Excess of revenues over (under) expenditures	(10,134,440)	(10,134,440)	(101,757)	10,032,683
OTHER FINANCING SOURCES (USES)				
Capital lease agreement	1,200,000	1,200,000	607,448	(592,552)
Debt proceeds	9,000,000	9,000,000	-	(9,000,000)
Transfers in	1,054,572	1,054,572	780,347	(274,225)
Transfers out	(1,120,132)	(1,120,132)	(1,185,132)	(65,000)
Total other financing sources (uses):	10,134,440	10,134,440	202,663	(9,931,777)
Net change in fund balance	-	-	100,906	100,906
Fund balance - beginning of year	-	-	488,624	488,624
Fund balance - end of year	$ -	$ -	$ 589,530	$ 589,530

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CHINO VALLEY, ARIZONA

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TOWN OF CHINO VALLEY, ARIZONA
HIGHWAY USER REVENUE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
Year Ended June 30, 2015

	Budgeted Amounts			Variance with Final Budget- Positive
REVENUES	Original	Final	Actual Amounts	(Negative)
Licenses and permits	$ 1,350	$ 1,350	$ 1,421	$ 71
Intergovernmental revenues	805,000	805,000	841,796	36,796
Interest	1,000	1,000	998	(2)
Other revenues	-	-	14,233	14,233
Total revenues	807,350	807,350	858,448	51,098
EXPENDITURES			-	
Public works/streets:				
Salaries	516,373	516,373	517,131	(758)
Employee Benefits	208,977	208,977	219,493	(10,516)
Utilities	11,000	11,000	10,618	382
Services, supplies and other	317,000	317,000	338,207	(21,207)
Contingencies	42,000	42,000	-	42,000
Capital outlay	30,000	30,000	30,496	(496)
Debt service:				
Principal retirement	75,000	75,000	62,342	12,658
Interest and fiscal charges	-	-	-	-
Total expenditures	1,200,350	1,200,350	1,178,287	22,063
Excess (deficiency) of revenues over (under) expenditures	(393,000)	(393,000)	(319,839)	73,161
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	8,465	8,465
Total other financing sources and (uses)	-	-	8,465	8,465
Net change in fund balance	(393,000)	(393,000)	(311,374)	81,626
Fund balance - beginning of year	672,731	672,731	672,731	-
Fund balance - end of year	$ 279,731	$ 279,731	$ 361,357	$ 81,626

TOWN OF CHINO VALLEY, ARIZONA
CDBG
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
Year Ended June 30, 2015

	Budgeted Amounts			Variance with Final Budget- Positive (Negative)
REVENUES	Original	Final	Actual Amounts	
Intergovernmental revenues	$ 264,000	$ 264,000	$ 266,693	$ 2,693
Total revenues	264,000	264,000	266,693	2,693
EXPENDITURES				
Capital outlay	264,000	264,000	266,693	(2,693)
Total expenditures	264,000	264,000	266,693	(2,693)
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	$ -	$ -	$ -	$ -

TOWN OF CHINO VALLEY, ARIZONA
GRANTS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
Year Ended June 30, 2015

	Budgeted Amounts			Variance with Final Budget- Positive
REVENUES	Original	Final	Actual Amounts	(Negative)
Intergovernmental revenues	$ 3,470,000	$ 3,470,000	$ 282,239	$ (3,187,761)
Interest income	-	-	16	16
Other revenues	-	-	20,273	20,273
Total revenues	3,470,000	3,470,000	302,528	(3,167,472)
EXPENDITURES				
Current:				
General government	50,000	50,000	4,924	45,076
Public safety	100,000	100,000	90,342	9,658
Culture and recreation	100,000	100,000	-	100,000
Health and welfare	75,000	75,000	152,021	(77,021)
Capital outlay	3,145,000	3,145,000	46,482	3,098,518
Total expenditures	3,470,000	3,470,000	293,769	3,176,231
Excess (deficiency) of revenues over (under) expenditures	-	-	8,759	8,759
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	65,000	65,000
Total other financing sources and (uses)	-	-	65,000	65,000
Net change in fund balance	-	-	73,759	73,759
Fund balance - beginning of year	61,373	61,373	61,373	-
Fund balance - end of year	$ 61,373	$ 61,373	$ 135,132	$ 8,759

TOWN OF CHINO VALLEY, ARIZONA
STREET LIGHT IMPROVEMENT DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2015

	Budgeted Amounts			Variance with Final Budget- Positive
REVENUES	Original	Final	Actual Amounts	(Negative)
Taxes	$ 4,000	$ 4,000	$ 4,028	$ 28
Total revenues	4,000	4,000	4,028	28
EXPENDITURES				
Current:				
Public works/streets	4,000	4,000	3,934	66
Total expenditures	4,000	4,000	3,934	66
Excess (deficiency) of revenues over (under) expenditures	-	-	94	94
Fund balance - beginning of year	(336)	(336)	(336)	-
Fund balance - end of year	$ (336)	$ (336)	$ (242)	$ 94

TOWN OF CHINO VALLEY, ARIZONA
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
Year Ended June 30, 2015

	Budgeted Amounts			Variance with Final Budget-Positive (Negative)
REVENUES	Original	Final	Actual Amounts	
Interest	$ -	$ -	$ -	$ -
Total revenues	-	-	-	-
EXPENDITURES				
Current:				
General government	-	-	-	-
Debt service:				
Principal retirement	235,000	235,000	75,000	160,000
Interest and fiscal charges	506,932	506,932	341,721	165,211
Total expenditures	741,932	741,932	416,721	325,211
Excess (deficiency) of revenues over (under) expenditures	(741,932)	(741,932)	(416,721)	325,211
OTHER FINANCING SOURCES (USES)				
Transfers in	739,432	739,432	739,432	-
Total other financing sources and uses	739,432	739,432	739,432	-
Net change in fund balance	(2,500)	(2,500)	322,711	325,211
Fund balance - beginning of year	292,213	292,213	292,213	-
Fund balance - end of year	$ 289,713	$ 289,713	$ 614,924	$ 325,211

TOWN OF CHINO VALLEY, ARIZONA
POLICE IMPACT FEES CAPITAL PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
Year Ended June 30, 2015

	Budgeted Amounts			Variance with Final Budget- Positive (Negative)
REVENUES	Original	Final	Actual Amounts	
Impact fees	$ -	$ -	$ 384	$ 384
Interest	111	111	52	-
Total revenues	111	111	436	384
EXPENDITURES				
Capital outlay	79,014	79,014	69,970	9,044
Total expenditures	79,014	79,014	69,970	9,044
Excess (deficiency) of revenues over (under) expenditures	(78,903)	(78,903)	(69,534)	9,428
Fund balance - beginning of year	82,789	82,789	82,789	-
Fund balance - end of year	$ 3,886	$ 3,886	$ 13,255	$ 9,428

TOWN OF CHINO VALLEY, ARIZONA
LIBRARY IMPACT FEES CAPITAL PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
Year Ended June 30, 2015

	Budgeted Amounts			Variance with Final Budget-Positive
REVENUES	Original	Final	Actual Amounts	(Negative)
Intergovernmental	$ -	$ -	$ 16,562	$ 16,562
Impact fees	-	-	-	
Interest	-	-	-	-
Total revenues	-	-	16,562	16,562
EXPENDITURES				
Capital outlay	-	-	16,562	(16,562)
Total expenditures	-	-	16,562	(16,562)
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	$ -	$ -	$ -	$ -

TOWN OF CHINO VALLEY, ARIZONA
PARKS AND RECREATION IMPACT FEES CAPITAL PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2015

	Budgeted Amounts			Variance with Final Budget- Positive (Negative)
REVENUES	Original	Final	Actual Amounts	
Interest	$ -	$ -	$ 26	$ 26
Total revenues	-	-	26	26
EXPENDITURES				
Capital outlay	24,564	24,564	22,359	2,205
Total expenditures	24,564	24,564	22,359	2,205
Excess (deficiency) of revenues over (under) expenditures	(24,564)	(24,564)	(22,333)	2,231
Fund balance - beginning of year	40,614	40,614	40,614	-
Fund balance - end of year	$ 16,050	$ 16,050	$ 18,281	$ 2,231

TOWN OF CHINO VALLEY, ARIZONA
ROADS IMPACT FEES CAPITAL PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
Year Ended June 30, 2015

	Budgeted Amounts			Variance with Final Budget- Positive
REVENUES	Original	Final	Actual Amounts	(Negative)
Impact fees	$ -	$ -	$ 2,328	$ 2,328
Interest	1,000	1,000	980	-
Total revenues	1,000	1,000	3,308	2,328
EXPENDITURES				
Capital outlay	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	1,000	1,000	3,308	2,328
Other Financing Sources (uses)				
Transfers out	(886,000)	(886,000)	(780,347)	-
Net change in fund balance	(885,000)	(885,000)	(777,039)	2,328
Fund balance - beginning of year	1,352,095	1,352,095	1,352,095	-
Fund balance - end of year	$ 467,095	$ 467,095	$ 575,056	$ 2,328

TOWN OF CHINO VALLEY, ARIZONA

Looking to the Future

Statistical Section

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

Town of Chino Valley, Arizona
Table 1
Net Position by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	2006	2007	2008	2009
Governmental Activities				
Net Investment in Capital Assets:	$ 3,389,640	$ 3,061,154	$ 4,337,598	$ 2,028,364
Restricted	4,800,924	4,786,087	4,000,072	6,668,333
Unrestricted	1,078,861	1,095,459	1,415,418	1,809,426
Total Governmental Activities Net Assets	$ 9,269,425	$ 8,942,700	$ 9,753,088	$ 10,506,123
Business-type activities				
Net Investment in Capital Assets:	$ 8,326,621	$ 14,170,758	$ 14,081,988	$ 16,782,113
Restricted			154,608	231,283
Unrestricted	(3,505,375)	(6,859,504)	(4,992,441)	(2,992,737)
Total Business-Type Activities Net Assets	$ 4,821,246	$ 7,311,254	$ 9,244,155	$ 14,020,659
Primary government				
Net Investment in Capital Assets:	$ 11,716,261	$ 17,231,912	$ 18,419,586	$ 18,810,477
Restricted	4,800,924	4,786,087	4,154,680	6,899,616
Unrestricted	(2,426,514)	(5,764,045)	(3,577,023)	(1,183,311)
	$ 14,090,671	$ 16,253,954	$ 18,997,243	$ 24,526,782

2010	2011	2012	2013	2014	2015
$ 1,800,961	$ 1,335,678	$ 1,484,070	$ 2,509,616	$ 3,960,511	$ 4,343,890
6,207,107	4,732,926	4,280,241	3,556,297	3,331,847	1,822,045
2,144,281	2,375,715	2,430,076	3,485,697	3,189,272	(901,163)
$ 10,152,349	$ 8,444,319	$ 8,194,387	$ 9,551,610	$ 10,481,630	$ 5,264,772
$ 18,486,662	$ 17,662,445	$ 17,042,946	$ 16,360,590	$ 15,658,866	$ 16,458,815
379,394	459,182	458,987	524,391	637,600	750,922
(3,022,133)	(3,193,523)	(3,399,728)	(3,906,099)	(4,386,202)	(4,991,149)
$ 15,843,923	$ 14,928,104	$ 14,102,205	$ 12,978,882	$ 11,910,264	$ 12,218,588
$ 20,287,623	$ 18,998,123	$ 18,527,016	$ 18,870,206	$ 19,619,377	$ 20,802,705
6,586,501	5,192,108	4,739,228	4,080,688	3,969,447	2,572,967
(877,852)	(817,808)	(969,652)	(420,402)	(1,196,930)	(5,892,312)
$ 25,996,272	$ 23,372,423	$ 22,296,592	$ 22,530,492	$ 22,391,894	$ 17,483,360

Town of Chino Valley, Arizona
Table 2
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

Expenses	2006	2007	2008	2009
Governmental activities:				
General Government	$ 4,023,776	$ 4,786,152	$ 4,435,347	$ 1,678,308
Public Safety	2,758,309	3,017,124	2,995,168	2,943,285
Streets	1,384,603	1,062,752	1,006,950	1,051,760
Culture and Recreation	1,271,778	1,875,435	1,936,070	1,345,011
Health and Welfare				260,604
Interest on Long-Term Debt	294,308	336,559	304,451	26,742
Total Governmental Activities Expenses	9,732,774	11,078,022	10,677,986	7,305,710
Business-Type Activities:				
Water	869,747	1,015,765	985,011	757,920
Sewer	529,588	510,678	765,551	1,534,611
Total Business-Type Activities Expenses	1,399,335	1,526,443	1,750,562	2,292,531
Total Primary Government Expenses	$11,132,109	$12,604,465	$12,428,548	$ 9,598,241
Program Revenues				
Governmental Activities:				
Charges for Services:				
General Government	1,066,095	1,012,311	897,707	351,583
Public Safety				212,815
Streets				
Culture and Recreation	137,598	138,394	123,472	48,825
Health and Welfare				24,601
Operating Grants and Contributions	1,429,677	1,665,164	1,395,476	1,423,164
Capital Grants and Contributions	10,000	587,978	115,665	220,362
Total Governmental Activities Program Revenues	2,643,370	3,403,847	2,532,320	2,281,350
Business-Type Activities:				
Charges for Services:				
Water	1,002,255	1,115,569	626,118	434,025
Sewer	758,836	777,302	928,646	863,450
Operating Grants and Contributions			150,258	172,473
Capital Grants and Contributions			1,548,248	4,448,641
Total Business-Type Activities Program Revenues	1,761,091	1,892,871	3,253,270	5,918,589
Total Primary Government Program Revenues	$ 4,404,461	$ 5,296,718	$ 5,785,590	$ 8,199,939

	2010	2011	2012	2013	2014	2015
	$ 2,911,780	$ 3,115,747	$ 2,867,718	$ 3,015,601	$ 3,414,324	$ 3,457,971
	2,678,291	2,750,768	2,467,357	2,472,409	2,414,104	3,015,691
	1,778,978	1,531,504	707,108	721,841	1,301,632	1,440,937
	1,254,221	1,390,896	1,226,036	1,198,383	1,200,623	1,235,085
	212,537	247,530	232,990	239,226	256,884	251,416
	20,867	1,266,752	514,714	508,898	569,141	717,706
	8,856,674	10,303,197	8,015,923	8,156,358	9,156,708	10,118,806
	512,123	667,534	655,975	733,396	809,977	770,833
	2,097,818	2,192,778	2,187,974	2,221,272	2,459,646	2,461,103
	2,609,941	2,860,312	2,843,949	2,954,668	3,269,623	3,231,936
	$ 11,466,615	$ 13,163,509	$ 10,859,872	$ 11,111,026	$ 12,426,331	$ 13,350,742
	239,945	243,740	356,527	546,893	270,586	285,887
	178,412	178,644	162,082	169,389	159,271	191,141
	5,570	1,719	1,504	10,985	8,200	15,654
	63,581	80,687	86,244	88,189	87,724	84,730
	13,161	12,078	11,188	9,281	5,647	6,267
	1,436,082	1,345,516	1,199,771	1,006,900	1,144,777	1,292,377
	212,012	606,874	206,591	1,003,311	593,475	805,730
	2,148,763	2,469,258	2,023,907	2,834,948	2,269,680	2,681,786
	390,036	406,119	416,219	439,577	380,619	422,006
	1,025,172	1,103,636	1,088,471	1,069,377	1,218,343	1,417,253
			177,612	-	-	-
	2,358,756	135,718	58,538	114,730	367,470	192,425
	3,773,964	1,645,473	1,740,840	1,623,684	1,966,432	2,031,684
	$ 5,922,727	$ 4,114,731	$ 3,764,747	$ 4,458,632	$ 4,236,112	$ 4,713,470

(continued)

Town of Chino Valley, Arizona
Table 2
Changes in Net Position
Last Ten Fiscal Years

	2004	2005	2006	2007	2008
Net (expense)/revenue					
Governmental Activities	$(4,817,244)	$(5,235,065)	$(7,089,404)	$(7,674,175)	$(8,145,666)
Business-Type Activities	(107,896)	641,249	361,756	366,428	1,502,708
Total Primary Government Net Expense	$(4,925,140)	$(4,593,816)	$(6,727,648)	$(7,307,747)	$(6,642,958)
General Revenues and Other Changes in Net Position					
Governmental Activities:					
Town Sales Tax	$ 2,402,059	$ 3,853,024	$ 5,812,580	$ 5,051,201	$ 4,863,355
State Sales taxes					
Auto Lieu Tax					
State Sales taxes-Revenue Sharing	1,943,865	2,056,084	2,387,097	3,362,410	3,633,480
Property tax					
Franchise tax	116,541	122,526	138,594	151,157	153,585
Impact Fees	793,050	1,229,024	1,023,035	579,617	369,126
Other	23,742	212,061	29,938	56,459	10,094
Unrestricted Investment Earnings	16,820	152,707	263,045	257,380	346,008
Gain (Loss) on Sale of Assets					
Transfers	(126,800)	(1,450,597)	(1,360,164)	(2,110,774)	(419,596)
	5,169,277	6,174,829	8,294,125	7,347,450	8,956,052
Total Governmental Activities					
Business-Type Activities:					
Unrestricted Investment Earnings		12,703	31,015	12,806	10,596
Grants and Contributions not restricted	750,000				
Gain on Sale of Assets					
Special items					
Transfers	126,800	1,450,597	1,360,164	2,110,774	419,596
	876,800	1,463,300	1,391,179	2,123,580	430,192
Total Business-Type Activities	$ 6,046,077	$ 7,638,129	$ 9,685,304	$ 9,471,030	$ 9,386,244
Total Primary Government					
Change in Net Asset					
Governmental Activities	$ 352,033	$ 939,764	$ 1,204,721	$ (326,725)	$ 810,386
Business-Type Activities	768,904	2,104,549	1,752,935	2,490,008	1,932,900
Total Primary Government	$ 1,120,937	$ 3,044,313	$ 2,957,656	$ 2,163,283	$ 2,743,286

	2009	2010	2011	2012	2013	2014	2015
	$(5,024,360)	$(6,707,911)	$(7,833,939)	$(5,992,016)	$(5,321,410)	$(6,887,028)	$(7,437,020)
	3,626,058	1,164,023	(1,214,839)	(1,103,109)	(1,330,984)	(1,303,191)	(1,200,252)
	$(1,398,302)	$(5,543,888)	$(9,048,778)	$(7,095,125)	$(6,652,394)	$(8,190,219)	$(8,637,272)
	4,434,620	$ 3,571,732	$ 3,379,524	$ 3,507,894	$ 3,882,227	$ 5,147,065	$ 5,078,635
	980,616	904,475	932,899	845,244	885,391	941,542	1,309,465
	727,395	669,831	656,953	555,907	564,341	596,994	629,553
	1,836,536	1,591,287	1,199,626	912,963	1,104,933	1,205,692	988,552
		3,375	3,770	4,042	3,809	3,682	4,028
	151,439	147,167	142,101	138,431	133,055	135,183	125,124
							377
	74,574	9,992	72,706	11,824	14,498	2,775	6,590
	(3,436)	77,140		9,795	-	4,115	(19,073)
	(1,110,331)	(620,862)	(261,670)	(244,016)	(362,988)	(220,000)	(280,700)
	7,091,413	6,354,137	6,125,909	5,742,084	6,225,266	7,817,048	7,842,551
	40,115	38,379	37,350	33,194	27,827	14,573	676
							620
							1,660,154
	1,110,331	620,862	261,670	244,016	362,988	220,000	280,700
	1,150,446	659,241	299,020	277,210	390,815	234,573	1,942,150
	$ 8,241,859	$ 7,013,378	$ 6,424,929	$ 6,019,294	$ 6,616,081	$ 8,051,621	$ 9,784,701
	$ 2,067,053	$ (353,774)	$(1,708,030)	$ (249,932)	$ 903,856	$ 930,020	$ 405,531
	4,776,504	1,823,264	(915,819)	(825,899)	(940,169)	(1,068,618)	741,898
	$ 6,843,557	$ 1,469,490	$(2,623,849)	$(1,075,831)	$ (36,313)	$ (138,598)	$ 1,147,429

(concluded)

Town of Chino Valley, Arizona
Table 3
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	2006	2007	2008	2009
General Fund				
Nonspendable	$ -	$ -	$ -	$ -
Restricted	15,314	5,942	2,345	2,112
Assigned	-	-	-	-
Unassigned	1,370,306	1,256,702	1,558,352	2,218,190
Total General Fund	$ 1,385,620	$ 1,262,644	$ 1,560,697	$ 2,220,302
All other Governmental Funds				
Restricted:				
Highways and Streets	$ 1,138,885	$ 1,558,969	$ 1,387,080	$ 997,827
Development Impact Fees	4,213,929	7,110,582	4,866,749	5,637,347
Debt Service		40,452		
Public Safety				
Grants				
Other Purposes			90	31,047
Assigned for:				
Capital Improvements				
Unassigned:				
Total all other Governmental Funds	$ 5,352,814	$ 8,710,003	$ 6,253,919	$ 6,666,221

Note: The Town began to report fund balance classifications per GASB Statement 54 in fiscal year 2011. Balances previously reported as reserved are reported as restricted and balances previously reported as unreserved are reported as unassigned, restricted, commited, or assigned as applicable.

2010	2011	2012	2013	2014	2015
$ -	$ 7,732	$ 2,208	$ 7,039	$ 5,078	$ 1,804,684
11,240	-	109,383	212,680	217,775	104,040
-	-	-	-	-	197,814
2,578,941	2,715,237	2,716,403	3,092,751	3,830,737	2,548,416
$ 2,590,181	$ 2,722,969	$ 2,827,994	$ 3,312,470	$ 4,053,590	$ 4,654,954

$ 1,486,838	$ 638,866	$ 747,681	$ 923,837	$ 680,219	$ 464,309
4,639,329	3,075,999	2,895,908	2,138,187	1,475,498	606,592
	374,013	499,053	285,557	292,213	614,924
		70,327	136,504	51,085	24,507
	118,198				
69,700				2,464	7,673
	518,462	304,452	129,103	488,624	589,530
	(344)				(242)
$ 6,195,867	$ 4,725,194	$ 4,517,421	$ 3,613,188	$ 2,990,103	$ 2,307,293

Town of Chino Valley, Arizona
Table 4
Changes in Fund Balance of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	2006	2007	2008	2009
Revenues				
Taxes	$ 5,951,174	$ 5,202,358	$ 5,016,940	$ 4,586,059
Licenses and Permits	709,453	530,420	480,940	223,658
Intergovernmental	3,807,126	5,020,916	5,052,787	4,872,059
Charges for Services	187,043	263,791	226,989	137,874
Fines and Forfeitures	271,486	335,924	300,575	272,281
Impact Fees	1,023,035	579,617	369,126	126,014
Interest	263,045	257,380	346,008	74,574
Other Revenues	85,297	671,665	114,603	194,010
Total Revenues	$ 12,297,659	$ 12,862,071	$ 11,907,968	$ 10,486,529
Expenditures				
Current:				
General Government	$ 3,961,986	$ 4,609,763	$ 3,964,809	$ 3,149,155
Public Safety	2,881,915	2,899,877	2,814,527	2,767,352
Public Works	1,282,393	942,080	863,704	685,248
Culuture and Recreation	1,376,890	1,533,614	1,523,187	976,041
Health and Welfare				226,030
Capital Outlay	4,587,634	4,639,516	1,034,220	394,839
Debt service				
Principal	181,633	435,455	453,808	
Interest	292,267	410,293	312,418	163,522
Total Expenditures	14,564,718	15,470,598	10,966,673	8,362,187
Revenues over (under) Expenditures	(2,267,059)	(2,608,527)	941,295	2,124,342
Other Finance Sources (Uses)				
Capital lease agreeemnt				
Sale of Assets				57,896
Bond Proceeds	250,000	5,708,492	-	
Payment to refunded debt escrow agent			(2,999,018)	
Transfers in	662,642	1,642,188	4,683,257	364,768
Transfers out	(662,642)	(1,498,568)	(4,779,968)	(1,475,099)
Total other Finance Scources (uses)	250,000	5,852,112	(3,095,729)	(1,052,435)
Net Change in Fund Balances	$ (2,017,059)	$ 3,243,585	$ (2,154,434)	$ 1,071,907
Debt Service as a Percentage of Noncapital Expenditures	4.41%	-95.73%	7.24%	2.48%

2010	2011	2012	2013	2014	2015
$ 3,722,276	$ 3,525,394	$ 3,650,366	$ 4,019,091	$ 5,285,931	$ 5,207,787
174,077	177,433	281,820	178,614	250,285	276,828
4,750,169	4,664,352	3,541,795	4,443,541	4,252,919	4,676,970
107,176	123,242	150,323	438,798	93,961	94,270
215,818	211,102	183,666	192,564	176,986	208,163
22,522		11,132	29,764	194,873	2,712
9,992	72,706	11,824	14,498	2,775	6,590
44,592	54,608	169,286	106,335	44,879	38,413
$ 9,046,622	$ 8,828,837	$ 8,000,212	$ 9,423,205	$ 10,302,609	$ 10,511,733
$ 2,781,391	$ 3,229,263	$ 2,774,513	$ 2,831,438	$ 3,309,301	$ 3,290,773
2,570,408	2,621,419	2,459,829	2,402,089	2,565,994	2,789,506
478,017	1,350,212	559,413	587,631	1,037,923	1,089,383
900,389	1,020,998	959,040	827,282	824,111	811,727
177,330	213,973	211,961	227,476	249,419	378,921
1,551,991	1,223,077	306,271	1,981,052	1,408,246	2,061,976
	7,280,000	153,979	37,028	65,000	170,703
143,849	257,403	464,651	586,858	509,000	341,721
8,603,375	17,196,345	7,889,657	9,480,854	9,968,994	10,934,710
443,247	(8,367,508)	110,555	(57,649)	333,615	(422,977)
					607,448
77,140	11,293	30,713	879	4,420	14,783
	7,280,000				
429,833	1,666,199	1,321,598	1,023,203	1,394,732	1,684,779
(1,050,695)	(1,927,869)	(1,565,614)	(1,386,191)	(1,614,732)	(1,965,479)
(543,722)	7,029,623	(213,303)	(362,109)	(215,580)	341,531
$ (100,475)	$ (1,337,885)	$ (102,748)	$ (419,758)	$ 118,035	$ (81,446)
1.78%	46.93%	8.47%	8.38%	6.84%	5.48%

TOWN OF CHINO VALLEY, ARIZONA

Looking to the Future

Town of Chino Valley, Arizona
Table 5
Assessed, Limited and Full Cash Value of Taxable Property
Last Ten Fiscal Years

	Limited Property Value -Primary		Full Cash Value-Secondary		
Fiscal Year	Net Assessed Value	Total Value	Net Assessed Value	Total Value	Ratio of Net Assessed to Total Values
2005-2006	62,491,905	504,238,915	64,845,063	522,102,669	12%
2006-2007	73,660,808	611,720,593	81,283,795	682,257,529	12%
2007-2008	87,984,637	734,962,056	116,815,366	976,209,959	12%
2008-2009	99,671,389	843,348,902	122,276,572	1,027,145,426	12%
2009-2010	97,702,687	829,906,042	105,453,785	885,502,082	12%
2010-2011	88,307,350	736,203,336	90,631,086	751,939,515	12%
2011-2012	74,109,132	616,331,804	74,322,200	622,456,044	12%
2012-2013	66,970,381	570,467,244	67,121,326	573,338,223	12%
2013-2014	66,507,361	558,648,344	66,893,394	563,576,848	12%
2014-2015	68,650,602	606,318,136	78,892,362	702,125,803	11%

Source: Yavapai County Assessor

Town of Chino Valley, Arizona
Table 6
Property Tax Rates - Direct and Overlapping Governments
(Primary Tax Rates)
Per $100 of Assessed Value
Last Ten Fiscal Years

Tax Authority	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
Town of Chino Valley	-	-	-	-	-
Yavapai County	1.7000	1.6552	1.5292	1.3683	1.2842
School Equalization	0.4400				0.3306
Yavapai College	1.4900	1.4308	1.3397	1.1989	1.1250
Chino Valley School District	3.7900	3.1742	3.7429	3.1492	3.3696
Total Primary	7.4200	6.2602	6.6118	5.7164	6.1094

Source: Yavapai County Treasurer

2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
-	-	-	-	-
1.3524	1.4305	1.6426	1.9308	1.9442
0.3564	0.4259	0.4717	0.5123	0.5089
1.2046	1.4274	1.6725	1.8241	1.8606
2.7647	3.7791	4.2320	4.9640	5.0146
5.6781	7.0629	8.0188	9.2312	9.3283

Town of Chino Valley, Arizona
Table 7
Secondary Tax Rates - Direct and Overlapping Governments
(Secondary Tax Rates)
Per $100 of Assessed Value
Last Ten Fiscal Years

Tax Authority	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
Town of Chino Valley	-	-	-	-	-
Fire District Assistance	0.1000	0.0895	0.0829	0.0722	0.0740
Flood Control District	0.2000	0.1983	0.1723	0.1723	0.1723
Library District	0.1100	0.1020	0.1016	0.1020	0.1016
Yavapai College	0.2600	0.2265	0.1828	0.1405	0.1367
Chino Valley School District	1.0700	0.9410	0.7133	0.5245	0.5486
Chino Valley Fire District	2.0400	2.5400	2.6745	2.1280	2.1400
Total Secondary	3.7800	4.0973	3.9274	3.1395	3.1732

Source: Yavapai County Treasurer

2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
-	-	-	-	-
0.0813	0.0928	0.1000	0.1000	0.1000
0.1994	0.2483	0.2963	0.2162	0.2116
0.1188	0.1456	0.1660	0.1491	0.1500
0.1563	0.1901	0.2150	0.2227	0.2231
0.5747	0.6739	0.7845	0.0500	0.0500
2.3250	2.8220	3.4531	3.5799	3.5799
3.4555	4.1727	5.0149	4.3179	4.3146

Town of Chino Valley, Arizona
Table 8
Sales Tax Revenues by Industry
Fiscal Years 2015, 2014, 2013, 2012, 2011 and 2009

	Fiscal Year 2008-2009		Fiscal Year 2009-2010		Fiscal Year 2010-2011	
	Tax Paid	Percentage of Total	Tax Paid	Percentage of Total	Tax Paid	Percentage of Total
Construction	$ 818,432	18.47%	$ 375,076	10.51%	$ 165,563	4.90%
Manufacturing	73,620	1.66%	58,754	1.65%	67,278	1.99%
Transportation/ Communication/Utilities	604,166	13.63%	650,060	18.21%	605,846	17.93%
Wholesale Trade	125,701	2.84%	121,368	3.40%	118,221	3.50%
Retail Trade	1,862,429	42.02%	1,685,231	47.20%	1,670,215	49.42%
Restaurants/Bars	322,470	7.28%	274,082	7.68%	286,598	8.48%
Insurance/Real Estate	425,723	9.61%	264,447	7.41%	248,979	7.37%
Services	78,236	1.77%	60,323	1.69%	68,179	2.02%
All Other	121,365	2.74%	80,827	2.26%	148,645	4.40%
Total	$ 4,432,142	100.00%	$ 3,570,169	100.00%	$ 3,379,524	100.00%

Source: Arizona Department of Revenue

Note:
The categories presented are intended to provide alternative information regarding the source of the Town's revenue.
Information prior to 2009 is not available.

Fiscal Year 2011-2012		Fiscal Year 2012-2013		Fiscal Year 2013-2014		Fiscal Year 2014-15	
Tax Paid	Percentage of Total	Tax Paid	Percentage of Total	Tax Paid	Percentage of Total	Tax Paid	Percentage of Total
$ 187,286	5.34%	$ 428,058	11.03%	$ 363,845	7.38%	$ 345,449	6.80%
53,107	1.51%	67,869	1.75%	67,904	1.38%	74,890	1.47%
634,512	18.09%	639,694	16.48%	817,254	16.59%	764,228	15.05%
140,008	3.99%	135,349	3.49%	169,475	3.44%	167,135	3.29%
1,758,983	50.14%	1,787,495	46.04%	2,457,281	49.87%	2,606,219	51.32%
291,732	8.32%	298,752	7.70%	415,200	8.43%	477,722	9.41%
262,331	7.48%	273,188	7.04%	332,480	6.75%	335,282	6.60%
88,126	2.51%	101,702	2.62%	128,676	2.61%	125,529	2.47%
91,809	2.62%	150,121	3.87%	174,950	3.55%	182,181	3.59%
$ 3,507,893	100.00%	$ 3,882,227	100.00%	$ 4,927,064	100.00%	$ 5,078,635	100.00%

Town of Chino Valley, Arizona
Table 9
Direct and Overlapping Sales Tax Rates
As of June 30, 2015

	Rates		
	City	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
Table 10
Actual Excise Tax Collections
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

Fiscal Year	City Sales Tax	Franchise Tax	State Shared Sales Tax	Urban Revenue Share	Vehicle License Tax	Total
2005-2006	5,706,014	138,594	895,535	855,104	661,414	7,595,247
2006-2007	4,843,267	151,157	1,171,457	1,399,327	816,581	7,565,208
2007-2008	4,808,851	153,585	1,132,717	1,734,497	791,220	7,829,650
2008-2009	4,170,358	151,438	980,617	1,836,536	727,395	7,138,949
2009-2010	3,460,446	147,168	904,476	1,591,287	669,831	6,103,377
2010-2011	3,379,524	142,100	932,899	1,199,626	656,953	5,654,149
2011-2012	3,507,894	138,429	845,245	912,963	555,907	5,404,531
2012-2013	3,882,228	133,055	885,392	1,104,933	564,341	6,569,949
2013-2014	5,147,066	135,183	941,543	1,205,692	596,994	8,026,477
2014-2015	5,078,635	125,124	988,552	1,309,465	629,553	8,131,329

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

Town of Chino Valley, Arizona
Table 11
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

	Governmental Activities			Business-Type Activities		
Fiscal Year	Capital Leases	Revenue Bonds	Loans Payable	Capital Leases	Notes Payable	Loans Payable
2005-2006	296,078	7,627,915		1,379,574	317,300	
2006-2007	655,623	7,334,956	5,206,824	876,484		1,478,325
2007-2008	501,815	6,076,997	4,471,816	873,302		10,216,853
2008-2009	355,694	6,079,038	4,461,808	758,170		10,790,408
2009-2010	223,371	6,081,079	4,451,800	5,351,967		10,681,637
2010-2011	122,894	7,103,540	3,976,792	4,625,715		10,314,341
2011-2012	37,028	7,112,149	3,901,784	4,619,085		9,935,517
2012-2013	-	7,120,757	3,891,776	4,619,085		9,544,790
2013-2014	-	7,129,365	3,816,768	4,566,425		9,141,772
2014-2015	519,466	7,137,973	3,731,760	92,329		11,689,732

(a) See page 86 for population data.

* Means no data available during that fiscal year.

Business-Type Activities					
Related Party Capital Leases	Revenue Bonds	Developer Agreement	Total Primary Government	Percentage of Personal Income	Per Capita (a)
3,490,640		507,353	13,618,860	*	1,219
3,084,401		444,873	19,081,486	*	1,689
3,238,622		426,413	25,805,818	*	2,258
4,637,893		424,283	27,507,294	*	2,459
-		424,283	27,214,137	*	2,477
	746,452	421,443	27,311,177	*	2,523
	746,351	420,733	26,772,647	*	2,477
	656,251	420,733	26,253,392	*	2,435
	611,151	420,733	25,686,214	*	2,382
	611,051	420,733	24,203,044	*	2,238

TOWN OF CHINO VALLEY, ARIZONA

Looking to the Future

Town of Chino Valley, Arizona
Table 12
Computation of Direct and Overlapping Debt
June 30, 2015

Jurisdiction	2014-2015 Secondary Assessed Valuation	Net Debt Outstanding	Percentage Applicable to the Town of Chino Valley	Amount Applicable to the Town of Chino Valley	2014-2015 Combined Tax Rate Per $100 Assessed
State of Arizona	$ 62,635,586,917	$ -	0.13%	$ -	None
Yavapai County	$ 2,553,473,159	$ -	3.09%	$ -	0.0000%
Chino Valley School District	$ 193,978,691	$ -	100.00%	$ -	0.0500%
Chino Valley Fire District	$ 121,651,138	$ 3,990,000	64.85%	$ 2,587,567	3.5700%
Yavapai County Library District	$ 2,553,473,159	$ -	3.09%	$ -	0.1491%
Yavapai County Community College	$ 2,553,473,159	$ 37,395,000	3.09%	$ 1,155,360	0.2227%
Total Overlapping Debt		$ 41,385,000		$ 3,742,927	3.9918%
Town of Chino Valley	**$ 78,892,362**	$ 11,792,077	**100.00%**	$ 11,792,077	**0.0000%**
Total Direct Debt		$ 11,792,077		$ 11,792,077	
Total Overlapping and Direct Debt		**$ 53,177,077**		**$ 15,535,004**	**3.9918%**

Source: Assessed value data used to estimate applicable percentages provided by Yavapai County Assessor's Office. Debt outstanding data provided by each governmental agency and the Arizona Department of Revenue.

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 debt of those overlapping governments that is borne by the residents and businesses of Chino Valley. This process recognizes that, when considering the government's ability to issue and repay long-term debt, tl entire burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsibility for repaying the debt, of each overlapping government.

The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining their portion of Yavapai County's taxable assessed value that is within the government's boundaries and dividing it by the County's total taxable assessed value.

The Town of Chino Valley Debt includes the long-term debt for governmental activities.

Town of Chino Valley, Arizona
Table 13
Legal Debt Margin Information
Last Ten Fiscal Years

	2005-2006	2006-2007	2007-2008	2008-2009
Secondary Assessed Value	$ 64,845,063	$ 81,283,795	$ 116,815,366	$ 122,276,572
20% Limitation (a)				
Debt Limit Equal to 20% of Assessed Valuation	$ 12,969,013	$ 16,256,759	$ 23,363,073	$ 24,455,314
Total Debt Applicable to 20% Limit	$ -	$ -	$ -	$ -
Legal 20% Debt Margin (Available Borrowing Capacity)	$ 12,969,013	$ 16,256,759	$ 23,363,073	$ 24,455,314
Total Net Debt Applicable to the 20% Limit as a Percentage of 20% Debt Limit	0.00%	0.00%	0.00%	0.00%
6% Limitation (b)				
Debt Limit Equal to 6% of Assessed Valuation	$ 3,890,704	$ 4,877,028	$ 7,008,922	$ 7,336,594
Total Debt Applicable to 6% Limit	$ -	$ -	$ -	$ -
Legal 6% Debt Margin (Available Borrowing Capacity)	$ 3,890,704	$ 4,877,028	$ 7,008,922	$ 7,336,594
Total Net Debt Applicable to the 6% Limit as a Percentage of 6% Debt Limit	0.00%	0.00%	0.00%	0.00%

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.

2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
$ 105,453,785	$ 90,631,086	$ 74,322,200	$ 67,121,326	$ 66,893,394	$ 78,892,362
$ 21,090,757	$ 18,126,217	$ 14,864,440	$ 13,424,265	$ 13,378,679	$ 15,778,472
$ -	$ -	$ -	$ -	$ -	$ -
$ 21,090,757	$ 18,126,217	$ 14,864,440	$ 13,424,265	$ 13,378,679	$ 15,778,472
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
$ 6,327,227	$ 5,437,865	$ 4,459,332	$ 4,027,280	$ 4,013,604	$ 4,733,542
$ -	$ -	$ -	$ -	$ -	$ -
$ 6,327,227	$ 5,437,865	$ 4,459,332	$ 4,027,280	$ 4,013,604	$ 4,733,542
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Town of Chino Valley, Arizona
Table 14
Pledged Revenue coverage
Last Ten Fiscal Years

Fiscal Year Ended June 30,	MPC Revenue Bonds 2010 Series Excise Tax Collection	Debt Service Principal	 Interest	 Coverage
2008	7,829,650		208,195	37.61
2009	7,138,949		331,638	21.53
2010	6,103,377		331,638	18.40
2011	5,654,149		331,638	17.05
2012	5,404,531		331,638	16.30
2013	6,569,949		331,638	19.81
2014	8,026,477		331,638	24.20
2015	8,131,329		331,638	24.52

Fiscal Year Ended June 30,	GADA 2007 Serues Excise Tax Collection	Debt Service Principal	 Interest	 Coverage
2012	5,404,531	-	90,672	59.61
2013	6,569,949	65,000	178,744	26.95
2014	8,026,477	65,000	175,981	33.31
2015	8,131,329	75,000	172,981	32.79

Fiscal Year Ended June 30,	Water Revenue Bonds Series 2010 Excise Tax Collection	Debt Service Principal	 Interest	 Coverage
2011	5,654,149	-	18,297	309.03
2012	5,404,531	45,000	29,145	72.89
2013	6,569,949	45,000	28,020	89.97
2014	8,026,477	45,000	26,895	111.64
2015	8,131,329	45,000	25,883	114.72

Fiscal Year Ended June 30,	WIFA 2007 Excise Tax Collection	Debt Service Principal	 Interest	 Coverage
2007	7,565,208		20,900	361.96
2008	7,829,650	-	43,576	179.68
2009	7,138,949	64,380	41,801	67.23
2010	6,103,377	66,156	39,976	57.51
2011	5,654,149	67,980	38,100	53.30
2012	5,404,531	69,855	36,174	50.97
2013	6,569,949	71,782	34,194	61.99
2014	8,026,477	73,762	32,160	75.78
2015	8,131,329	75,796	30,070	76.81

Fiscal Year Ended June 30,	WIFA 2008			
	Excise Tax Collection	Debt Service Principal	Interest	Coverage
2008	7,829,650		67,801	115.48
2009	7,138,949		136,563	52.28
2010	6,103,377	-	136,563	44.69
2011	5,654,149	210,766	130,632	16.56
2012	5,404,531	216,697	124,534	15.84
2013	6,569,949	222,795	118,265	19.26
2014	8,026,477	229,065	111,816	23.55
2015	8,131,329	235,510	105,192	23.87

Fiscal Year Ended June 30,	WIFA 2014			
	Excise Tax Collection	Debt Service Principal	Interest	Coverage
2015	8,131,329		29,950	271.50

Fiscal Year Ended June 30,	USDA all issues combined			
	Excise Tax Collection	Debt Service Principal	Interest	Coverage
2009	7,138,949	10,534	84,816	74.87
2010	6,103,377	42,294	272,447	19.39
2011	5,654,149	88,549	178,979	21.13
2012	5,404,531	92,154	175,257	20.21
2013	6,569,949	96,145	171,383	24.56
2014	8,026,477	100,191	167,336	30.00
2015	8,131,329	104,405	163,124	30.39

TOWN OF
CHINO VALLEY, ARIZONA

Looking
to the
Future

Town of Chino Valley, Arizona
Table 15
Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Town Population	County Population	County Personal Income (in thousands)+	County Per Capita Personal Income	School Enrollment	Yavapai County Unemployment Rate
2005-2006	11,175	196,629	5,816,674	30	*	4.4%
2006-2007	11,296	202,764	6,332,616	31	*	3.9%
2007-2008	11,429	211,211	6,627,607	31	2752	3.6%
2008-2009	11,188	211,917	6,034,069	28	2791	6.0%
2009-2010	10,988	210,899	6,015,150	29	3003	10.3%
2010-2011	10,825	211,247	6,248,490	30	3178	10.9%
2011-2012	10,808	211,583	6,448,529	30	3392	9.7%
2012-2013	10,783	211,033	6,753,056	32	3443	8.6%
2013-2014	10,943	215,133	4,853,759	23	3019	8.6%
2014-2015	10,817	218,844	5,593,458	26	3089	8.6%

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

* Detailed information not available.

Town of Chino Valley, Arizona
Table 16
Principal Employers
Current Year and Three Years Ago

	2015		2014	
Employer	Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment
Chino Valley Unified School	249	2.31%	250	2.32%
Safeway	139	1.29%	140	1.30%
Town of Chino Valley	95	0.88%	89	0.83%
Bar S Machine	45	0.42%	45	0.42%
Chino Medical Center	43	0.40%	43	0.40%
Bonn Fire Grill	43	0.40%	40	0.37%
Performance Accessories	38	0.35%	36	0.33%
Arizona Highway Safety Specialists	34	0.32%	35	0.32%
Color Spot	31	0.29%	30	0.28%
Circle L Annimal Hospital	21	0.19%	21	0.19%
	738	6.84%	729	6.76%

Sources: Central Arizona Regional Economic Development Foundation; various employers

2013		2012	
Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment
400	3.71%	440	4.07%
140	1.30%	140	1.30%
91	0.84%	85	0.79%
45	0.42%	44	0.41%
42	0.39%	42	0.39%
35	0.32%	35	0.32%
35	0.32%	40	0.37%
29	0.27%	35	0.32%
45	0.42%	46	0.43%
20	0.19%	20	0.19%
882	8.18%	927	8.58%

Town of Chino Valley, Arizona
Table 17
Authorized Full-time Government Employees by Function/Program
Last Ten Fiscal Years

	Function/Program				
Fiscal Year	General Government	Public Safety	Culture & Recreation	Health and Welfare	Public Works/Streets
2005-2006	49	43	18	4	9
2006-2007	48	42	17	4	9
2007-2008	38	40	11	4	7
2008-2009	34	37	11	3	6
2009-2010	33	37	12	3	6
2010-2011	27	33	9	3	9
2011-2012	26	30	9	3	9
2012-2013	30	30	9	3	11
2013-2014	29	30.5	8	3.5	11
2014-2015	36	30.5	0.5	3.5	11

Source: Town of Chino Valley Budget

Note: Information is based on authorized positions approved by Council in the Budget.

Function/Program		
Public Works/Water	Public Works/Sewer	Total
5	0	128
6	0	126
5	0	105
4	2	97
5	3	99
3	4	88
4	4	85
4	4	91
3.5	3.5	89
3.5	3.5	89

Town of Chino Valley, Arizona
Table 18
Operating Indicators by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year 2005-2006	2006-2007	2007-2008	2008-2009
General Government				
Registered Voters	*	4,721	*	5,736
Votes cast last primary election	*	2,022	*	2,561
Police				
Number of police personnel and officers	43	42	40	37
Arrests	*	*	642	567
Citations	*	*	1,910	1,418
Traffic Stops	*	*	3,916	4,364
Security Checks	*	*	*	*
Officer Reports	*	*	5,500	6,350
Calls for Service	*	*	11,801	11,855
Animal Control				
Animal Related Calls	*	*	*	1,060
Impounded Dogs	*	*	*	398
Adopted Dogs	*	*	*	61
Dog Licenses Sold	*	*	*	*
Highways & Streets				
Miles of Paved Roads Maintained	*	*	*	*
Street resurfacing (miles)	*	*	*	*
Street sweeping (miles)	*	*	*	*
Potholes repaired (cold mix tons)	*	*	*	*
Water				
Number of wells	19	19	19	19
Total well production (acre feet)	143	188	303	254
Number of metered accounts	391	484	607	607
New Residential Connections	266	93	123	0
Number of Water Tanks	1	1	2	2
Storage Capacity (mg)	0.165	0.165	1.165	1.165
Miles of Water Mains	19.5	19.5	20.5	20.5
Line Breaks	*	0	0	3
Average Daily Consumption (thousand of gallons)	127	168	270	227
Number of Fire Hydrant	*	*	103	103
Wastewater				
Number of active accounts	0	0	1,080	1,640
Average daily sewage treatment gallons	0	0	0	243,000
Plant Capacity per day gallons	125,000	250,000	250,000	500,000
Gallons Recharged in Aquifer (acre feet)				228

Fiscal Year					
2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
*	5,766	*	6,027	*	5,914
*	2,256	*	2,092	*	3,587
37	33	30	30	30	30
512	388	358	262	440	443
1,872	1,550	1,539	756	934	808
5,466	5,298	5,715	3,503	3,067	2,801
1,289	2,004	1,906	4,717	2,425	2,602
8,765	8,032	10,662	6,643	7,700	6,485
14,514	13,091	15,350	10,367	11,870	10,988
938	1,099	785	945	829	878
236	330	309	297	315	30
*	*	109	102	121	136
2,137	1,996	1,666	1,700	1,807	1,971
*	157.4	157.4	157.4	162.87	152.71
*	0	0	4	0	3
*	0	13	13	13	13
186	144	149	214	168	148
19	19	19	19	19	19
245	233	240	255	250	250
607	607	607	607	626	633
0	0	0	0	19	7
2	2	2	2	2	2
1.165	1.165	1.165	1.165	1.165	1.165
20.5	20.5	20.5	20.5	21.0	21.0
3	0	1	0	0	0
219	208	213	228	223	296
103	103	103	103	103	103
1,669	1,672	1,672	1,685	1,689	1,735
299,000	295,000	321,000	324,000	325,000	325,000
500,000	500,000	500,000	500,000	500,000	500,000
235	225	230	242	244	246

Town of Chino Valley, Arizona
Table 18
Operating Indicators by Function/Program
Last Ten Fiscal Years

Function/Program	**Fiscal Year** 2005-2006	2006-2007	2007-2008	2008-2009
Facilities Maintenance				
Number of Buildings Maintained	*	*	19	19
Square Footage of Buildings Maintained	*	*	55,704	55,704
Number of HVAC Unites Maintained	*	*	42	42
Parks and Recreation				
Park Areas	*	*	*	*
Total Miles of Trails	*	*	*	*
Parkland Acreage	*	*	*	*
Total Open Space Acres	*	*	*	*
Total Acres of Turf	*	*	*	*
Gallons of Water User per Acre of Turf	*	*	*	*
Playgrounds	2	2	2	2
Aquatic Center Admissions	*	*	*	*
Economic Development				
Building Permits-Commercial	21	23	20	17
Building Permits-Residential	451	727	423	163
Housing Rehabilitations	*	*	*	*
Code Enforcement Cases	719	573	261	293
Planning Cases	17	7	2	11
Culture - Library				
Items in Collections	47,259	54,404	55,011	48,882
Total Items Circulated	167,204	147,590	131,697	131,446
Reference Transactions	5,000	4,362	4,431	4,008
Computer Uses	15,500	15,500	15,000	15,000
Inter Library Loan	10,271	10,227	10,591	10,916
Total Library Attendance	70,441	75,005	75,971	72,302
Culture - Senior Center				
Total Meals Served in House	*	*	*	11,030
Total Meals on Wheels	*	*	*	12,266

Sources: Various City Departments
Note: Voter registration is taken every two years.
* Not available

Fiscal Year					
2009-2010	**2010-2011**	**2011-2012**	**2012-2013**	**2013-2014**	**2014-2015**
					(continued)
19	19	20	20	20	20
55,704	55,704	55,704	55,704	55,704	55,704
42	42	44	44	44	44
114	114	114	114	114	114
3	3	3	3	3	3
2	2	2	9	9	9
89	89	89	82	82	82
20	20	20	20	20	20
*	*	1,041,365	931,758	700,974	793,635
2	2	2	2	2	2
*	*	12,324	11,189	13,442	12,074
18	11	19	27	13	65
194	167	165	147	220	225
*	*	*	8	0	3
216	256	183	208	176	223
8	6	11	17	14	16
47,957	52,334	50,581	43,055	44,249	53,523
129,982	90,700	110,926	108,515	114,171	112,843
3,209	5,863	5,753	4,999	4,551	5,891
15,000	15,600	15,600	15,603	15,307	16,702
11,362	18,696	8,904	18,061	25,696	23,238
59,082	68,791	68,934	60,273	60,380	62,346
10,267	9,205	8,565	8,493	10,211	11,606
12,085	13,077	8,091	9,101	8,264	10,582

(concluded)

Town of Chino Valley, Arizona
Table 19
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

	Fiscal Year			
Function/Program	**2005-2006**	**2006-2007**	**2007-2008**	**2008-2009**
Public Safety				
Stations	1	1	1	1
Patrol units	11	16	17	20
Highways and Streets				
Streets (miles)	*	*	*	*
Water				
Water mains (miles)	19.5	19.5	19.5	19.5
Fire hydrants	*	*	103	103
Sewer				
Sanitary Sewer (miles)			23	23
Maximum daily treatment capacity (thousands of gallons)	125,000	250,000	250,000	500,000
Recreation and Aquatics				
Parks Acreage	*	*	47	47
Number of Parks	5	5	5	5
Swimming Pools	1	1	1	1
Ball Fields	2	2	6	6

* Not available

Sources: Various City Departments

Fiscal Year					
2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
1	1	1	1	1	1
19	21	19	19	19	19
*	157.4	157.4	157.4	157.4	157.4
19.5	19.5	19.5	19.5	19.5	19.5
103	103	103	103	103	103
23	23	23	23	23	23
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	6	6

TOWN OF

CHINO VALLEY, ARIZONA

Looking to the Future

Compliance Section

TOWN OF

Looking to the Future

CHINO VALLEY, ARIZONA

HENRY & HORNE, LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Honorable Mayor and 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, (Town), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Town of Chino Valley's basic financial statements, and have issued our report thereon dated October 30, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Chino Valley, Arizona's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Chino Valley, Arizona's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Tempe	Scottsdale	Casa Grande
2055 E. Warner Road	7098 E. Cochise Road	1115 E. Cottonwood Lane
Suite 101	Suite 100	Suite 100
Tempe, AZ 85284-3487	Scottsdale, AZ 85253-4517	Casa Grande, AZ 85122-2950
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Fax (480) 839-1749	Fax (480) 483-7126	Fax (520) 426-9432

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Henry + Horne LLP

Casa Grande, Arizona
October 30, 2015