

**TOWN OF CHINO VALLEY, ARIZONA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**



**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**



**TOWN OF CHINO VALLEY, ARIZONA**  
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**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**



**Prepared by the Finance Department**

**Joe R. Duffy, CPA, Finance Director**



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# Introductory Section

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November 13, 2017

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, 2017 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, 2017 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, 2017 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 more than 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 last year dividing into four lanes the 10 mile section of Highway 89 between Chino Valley and Prescott reducing the travel time between these communities. Construction of a roundabout at Perkinsville Road and major drainage improvements along the Peavine trail were 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 or 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 connection 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 adopted the Local Alternative Expenditure Limitation in August 2016 to be used through June 2021.

Under the Local Alternative Expenditure Limitation, the Town is allowed to adjust the state imposed expenditure base from \$6,987,848 to \$21,738,500 for fiscal year 2016-2017.

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 2016-2017 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 2007/2008, Town Sales Tax rose to a high of \$2,734,372 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.

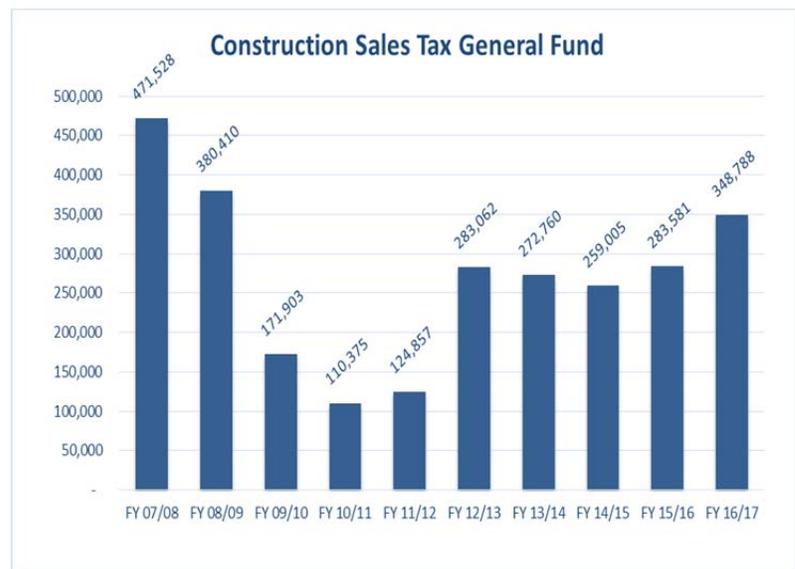
Through fiscal year 2013, the Town's sales tax rate was 3%. 1% of the 3% is transferred to the Capital Improvement fund while 2% remains in the general fund. In fiscal year 2014 the tax rate was increased to 4%. 3% is retained in the General Fund and 1% in transferred to the Capital Improvement Fund.



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 although it has been relatively stable since 2012/2013. The graph below shows the fluctuations in construction sales tax from 2007/2008 to 2016/2017.

The Town conservatively budgets the amount of construction sales tax each year taking into account the volatility 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 2017 the Town adopted a Strategic 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 communication 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 a sewer line extension up Center Street to the Molly Rae subdivision and down on West for \$1,275,000.
- The Town began development of the Old Home Manor Industrial Park with a anticipated completion in FY 17/18. The total project is projected to be completed for \$ 2,200,000.
- The Town purchased and installed new screens at the Waste Water Treatment Plant for \$294,000 completing a multi year renovation of the plant.

The Town also made several improvements to the shooting range, Senior Center, animal control facility and acquired several pieces of equipment including a new animal control vehicle.

## **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, 2016**

Executive Director/CEO

# TOWN OF CHINO VALLEY, ARIZONA



## LIST OF PRINCIPAL OFFICIALS

### **Town Council**

Darryl L. Croft, Mayor

Mike R. Best, Vice Mayor

Annie Lane, Council Member

Cloyce Kelly, Council Member

Corey Mendoza, Council Member

Jack Miller, Council Member

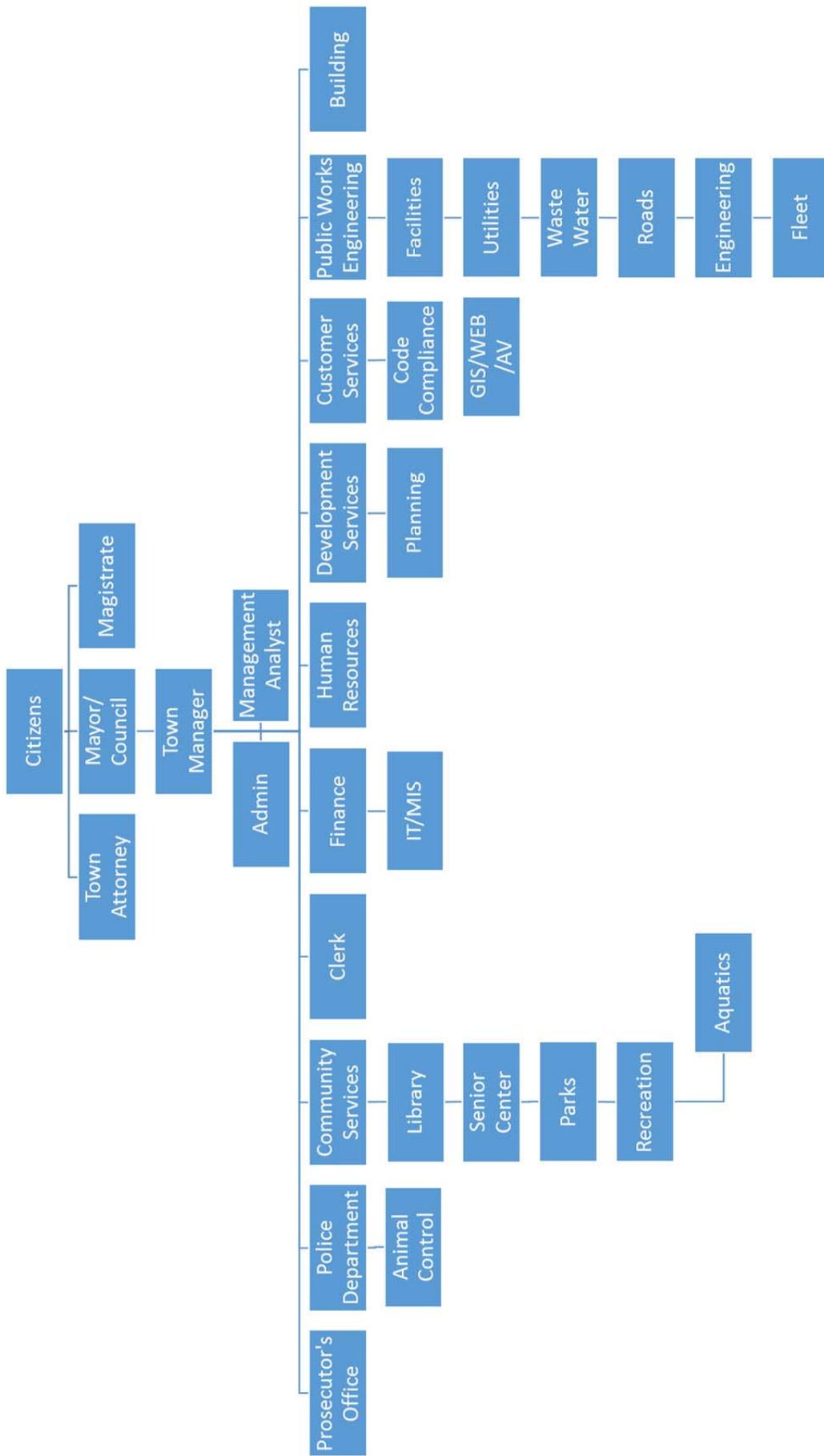
Lon Turner, Council Member

### **Town Manager**

Cecilia Grittman

### **Finance Director**

Joe R. Duffy, CPA





# Financial Section

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## 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, 2017, 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.

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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and Grants Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that 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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The financial information listed as other supplementary information in the table of contents and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the financial information listed as other supplementary information in the table of contents and the schedule of expenditures of federal awards, 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, 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 November 13, 2017 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  
November 13, 2017

# Financial Section

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## MANAGEMENT'S DISCUSSION & ANALYSIS



**TOWN OF CHINO VALLEY, ARIZONA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended June 30, 2017**

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, 2017. 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 \$19.56 million at the close of the fiscal year.
- Total net position, excluding the impact of GASB Statement 68, increased by \$1,302,353.
- Governmental taxes and other governmental revenues exceeded expenses by \$1,285,016.
- Business-type revenues exceeded total business-type expenses, including transfers by \$17,337.
- Total revenues from all sources were \$14.98 million.
- The total cost of all Town programs was \$13.95 million.
- The General Fund reported excess revenue over expenditures and transfers of \$378,762.
- At the end of the current fiscal year, fund balance for the General Fund was \$6.2 million or 76 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 21-29 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 33-38 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 38-75 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 77-86 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 85-104 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 \$19.55 million as of June 30, 2017 as shown in the following condensed statement of net position. The Town has chosen to account for its water and sewer operations in an enterprise fund which is shown as Business Activities.

	Governmental Activities		Business-type Activities		Total Government	
	6/30/2017	6/30/2016	6/30/2017	6/30/2016	6/30/2017	6/30/2016
Current and other assets	\$ 9,627,668	\$ 8,508,409	\$ (269,798)	\$ (271,823)	\$ 9,357,870	\$ 8,236,586
Capital assets	16,277,397	15,713,023	28,497,900	28,170,426	44,775,297	43,883,449
Total assets	<u>25,905,065</u>	<u>24,221,432</u>	<u>28,228,102</u>	<u>27,898,603</u>	<u>54,133,167</u>	<u>52,120,035</u>
Deferred outflows of resources	2,742,412	2,186,884	117,973	87,961	2,860,385	2,274,845
Long-term liabilities outstanding	19,387,253	18,436,737	12,976,787	12,641,867	32,364,040	31,078,604
Other liabilities	747,934	1,099,291	3,394,396	3,406,373	4,142,330	4,505,664
Total liabilities	<u>20,135,187</u>	<u>19,536,028</u>	<u>16,371,183</u>	<u>16,048,240</u>	<u>36,506,370</u>	<u>35,584,268</u>
Deferred inflows of resources	869,452	514,466	63,277	44,046	932,729	558,512
Net position:						
Net investment in capital assets	6,027,754	5,424,332	16,106,276	16,077,901	22,134,030	21,502,233
Restricted	1,769,920	1,327,962	588,280	482,116	2,358,200	1,810,078
Unrestricted	<u>(154,836)</u>	<u>(394,472)</u>	<u>(4,782,941)</u>	<u>(4,665,739)</u>	<u>(4,937,777)</u>	<u>(5,060,211)</u>
Total net position	<u>\$ 7,642,838</u>	<u>\$ 6,357,822</u>	<u>\$ 11,911,615</u>	<u>\$ 11,894,278</u>	<u>\$ 19,554,453</u>	<u>\$ 18,252,100</u>

## Governmental Activities

The cost of all Governmental activities, excluding transfers, this year was \$11.1 million which is 8% higher than last fiscal year. As shown on the statement of Changes in Net Position below, \$970,661 was paid for by those who directly benefited from the programs; \$2,677,877 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 \$2.8 million. General taxes and investment earnings totaled \$8.82 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.

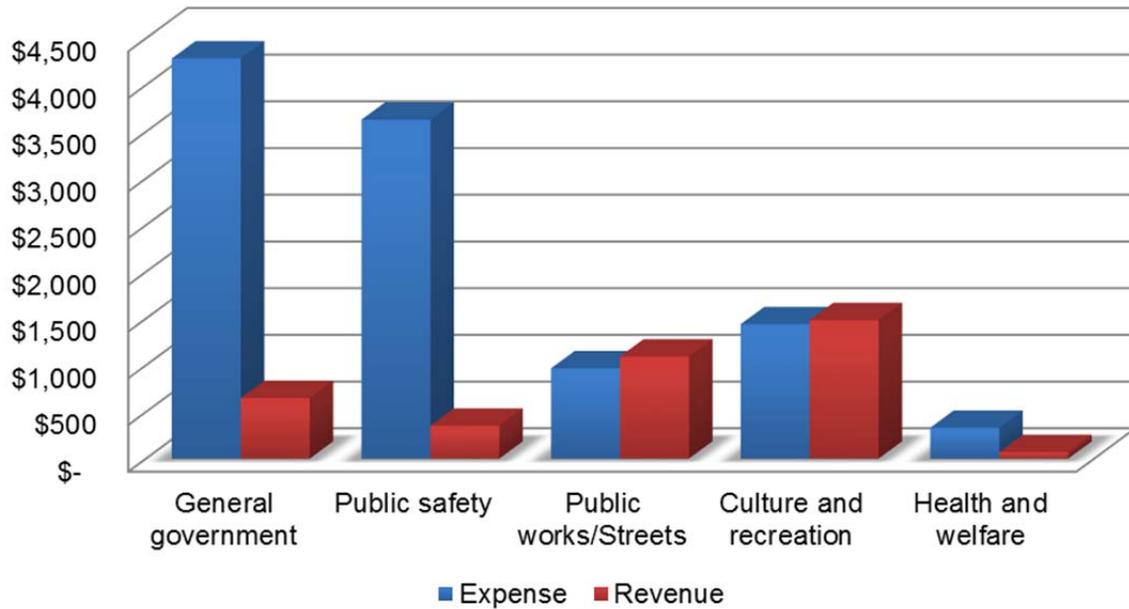
Total resources available during the year to finance governmental operations were \$16.54 million, consisting of net position at July 1, 2016 of \$6.4 million, program revenues of \$3.65 million and General Revenues of \$8.82 million. Total Governmental Activities during the year were \$11.1 million along with transfers to proprietary funds of \$75,000; thus Governmental Net Position was increased by \$1,285,016 million to \$7.6 million.

### Town of Chino Valley, Arizona Changes in Net Position

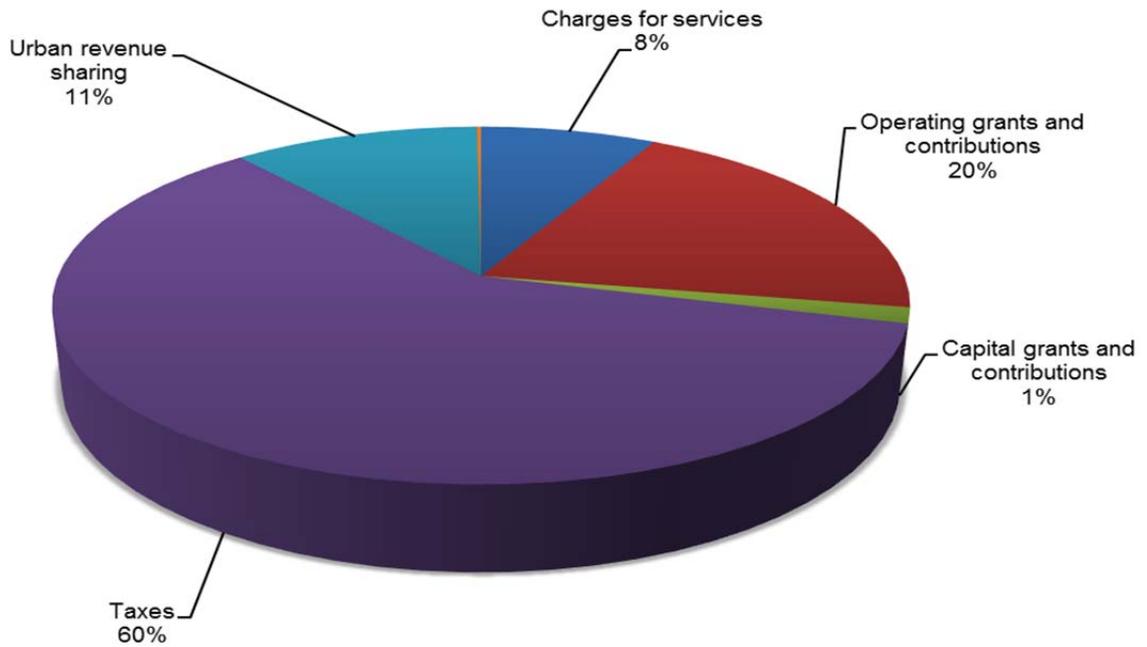
	Governmental Activities		Business-type Activities		Total Government	
	6/30/2017	6/30/2016	6/30/2017	6/30/2016	6/30/2017	6/30/2016
Revenues:						
Program revenues:						
Charges for services	\$ 970,661	\$ 716,206	\$ 1,914,500	\$ 1,951,645	\$ 2,885,161	\$ 2,667,851
Operating grants and contributions	1,212,190	1,341,035	-	-	1,212,190	1,341,035
Capital grants and contributions	1,465,687	685,895	570,089	157,938	2,035,776	843,833
General revenues:						
Taxes	7,458,025	7,298,378	-	-	7,458,025	7,298,378
Urban revenue sharing	1,362,532	1,302,365	-	-	1,362,532	1,302,365
Other revenue/(expense)	22,124	8,486	2,724	1,671	24,848	10,157
Total revenues	<u>12,491,219</u>	<u>11,352,365</u>	<u>2,487,313</u>	<u>2,111,254</u>	<u>14,978,532</u>	<u>13,463,619</u>
Expenses:						
General government	4,284,837	4,264,993	-	-	4,284,837	4,264,993
Public safety	3,628,745	2,978,132	-	-	3,628,745	2,978,132
Public works/Streets	966,821	1,186,710	-	-	966,821	1,186,710
Culture and recreation	1,439,661	1,363,577	-	-	1,439,661	1,363,577
Health and welfare	330,967	316,355	-	-	330,967	316,355
Interest on long-term debt	480,172	239,804	-	-	480,172	239,804
Water	-	-	666,234	673,242	666,234	673,242
Sewer	-	-	2,156,401	2,294,822	2,156,401	2,294,822
Total expenses	<u>11,131,203</u>	<u>10,349,571</u>	<u>2,822,635</u>	<u>2,968,064</u>	<u>13,953,838</u>	<u>13,317,635</u>
Increase / (decrease) in net position						
before special items and transfers	1,360,016	1,002,794	(335,322)	(856,810)	1,024,694	145,984
Special items	-	-	277,659	382,500	277,659	382,500
Transfers in (out)	(75,000)	(150,000)	75,000	150,000	-	-
Change in net position	<u>1,285,016</u>	<u>852,794</u>	<u>17,337</u>	<u>(324,310)</u>	<u>1,302,353</u>	<u>528,484</u>
Net position, beginning	6,357,822	5,264,772	11,894,278	12,218,588	18,252,100	17,483,360
Restatement	-	240,256	-	-	-	240,256
Net position, beginning - restated	<u>6,357,822</u>	<u>5,505,028</u>	<u>11,894,278</u>	<u>12,218,588</u>	<u>18,252,100</u>	<u>17,723,616</u>
Ending net position	<u>\$ 7,642,838</u>	<u>\$ 6,357,822</u>	<u>\$ 11,911,615</u>	<u>\$ 11,894,278</u>	<u>\$ 19,554,453</u>	<u>\$ 18,252,100</u>

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)**



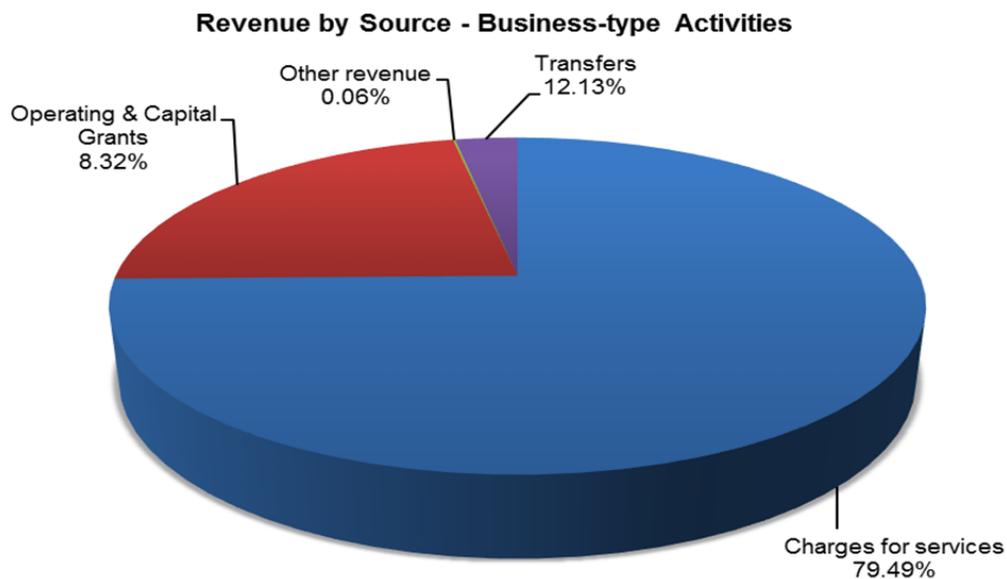
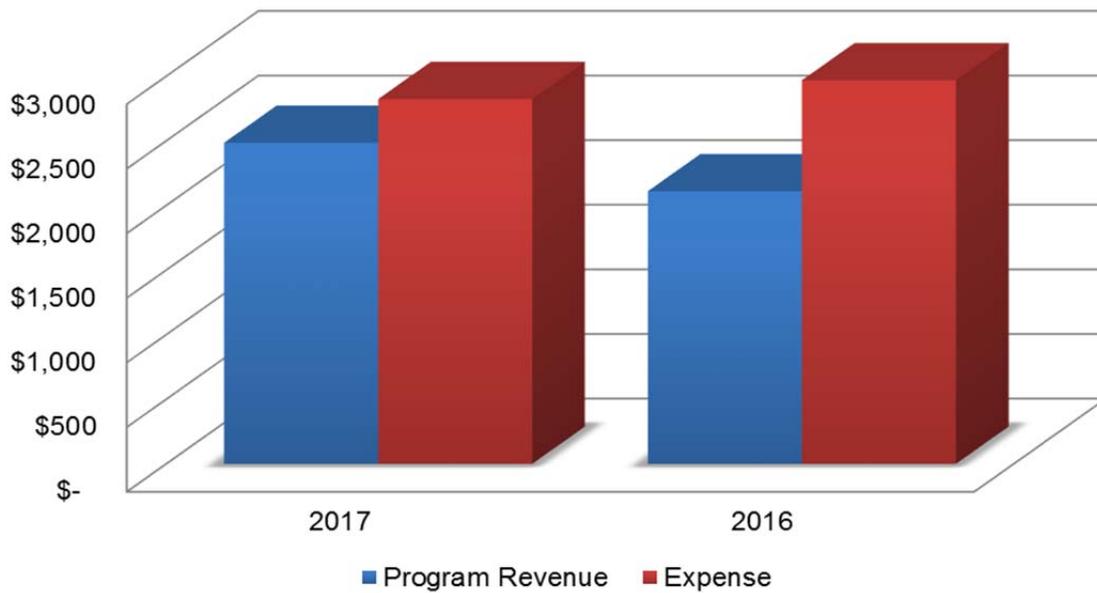
**Revenue by Source - Governmental Activities**



## Business Type Activities

Net position of the Business Type activities at June 30, 2017, as reflected in the Statement of Net Position was \$11.9 million. The cost of providing all Proprietary (Business Type) activities this year was \$2.8 million. As shown in the statement of Changes in Net Position, the amounts paid by users of the system were \$1.91 million and there was \$570,089 subsidized by capital grants and contributions. Interest earnings were \$2,724 and transfers from governmental funds were \$75,000. The Net Position increased by \$17,377.

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



## 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, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town of Chino Valley's governmental funds reported combined ending fund balances of \$8,305,185 an increase of \$952,861 in comparison with the prior year. Approximately, 47% of this total amount, \$3,944,089 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, unassigned fund balance in the general fund was \$4,575,991, while total fund balance is \$6,185,493. 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 56% of total general fund expenditures, while total fund balance represents 77% of the same amount.

During the year, the Town of Chino Valley's general fund balance increased by \$754,512. 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, Parks/Recreations, and Roads) all of which are restricted or assigned for specific purposes.

**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 \$11.91 million as of June 30, 2017. Operating revenues in fiscal year 2017 were \$508,363 for water and \$1,350,834 for sewer while operating expenses were \$642,871 for water and \$1,897,020 for sewer, resulting in operating losses of \$134,506 for water and \$546,186 for sewer. The water and sewer operating expenses decreased from the prior year mainly due to reduced and maintenance and repair costs. 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 \$365,191 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 2017, net capital assets of the government activities totaled \$16.28 million and the net capital assets of the business-type activities totaled \$28.5 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 \$19.4 million in governmental type debt, and \$13 million in proprietary debt. The debt is a liability of the government and amounts to \$2,876 per capita. During the current fiscal year, the Town's total debt increased by \$1,285,436. (See note 5 to the financial statements)

## **NEXT YEAR'S BUDGET AND ECONOMIC FACTORS**

In building the Town Budget for fiscal year 2017/2018, 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 housing development has increased modestly suggesting 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](http://www.chinoaz.net).

# Financial Section

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## BASIC FINANCIAL STATEMENTS

**Government-wide Financial Statements** - include the Statement of Net Position and Statement of Activities and use the accrual basis of accounting for financial reporting.

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

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

**Notes to the Financial Statements**



TOWN OF CHINO VALLEY, ARIZONA  
STATEMENT OF NET POSITION  
June 30, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 5,404,995	\$ -	\$ 5,404,995
Receivables (net of allowances)	2,582,479	408,384	2,990,863
Internal balances	1,266,462	(1,266,462)	-
Prepaid items/inventory	35,764	-	35,764
Temporarily restricted assets			
Cash and cash equivalents	337,968	588,280	926,248
Capital assets:			
Nondepreciable capital assets	3,960,057	3,879,689	7,839,746
Depreciable capital assets (net of accumulated depreciation)	12,317,340	24,618,211	36,935,551
Total assets	<u>25,905,065</u>	<u>28,228,102</u>	<u>54,133,167</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred amount on refunding	531,848	-	531,848
Deferred outflows of resources related to pensions	1,633,723	85,150	1,718,873
Deferred outflows of employer contributions to pensions	576,841	32,823	609,664
Total deferred outflows of resources	<u>2,742,412</u>	<u>117,973</u>	<u>2,860,385</u>
<b>LIABILITIES</b>			
Accounts payable and other current liabilities	380,380	174,501	554,881
Accrued wages and benefits	172,316	11,938	184,254
Interest payable	195,238	143,484	338,722
Unearned revenue	-	3,064,473	3,064,473
Noncurrent liabilities:			
Due within one year:			
Compensated absences	250,000	11,000	261,000
Capital leases payable	123,081	21,876	144,957
Loans/ developer agreements payable	-	640,822	640,822
Bonds payable	309,000	50,000	359,000
Due in more than one year:			
Compensated absences	195,701	27,244	222,945
Capital leases payable	157,221	27,944	185,165
Loans/ developer agreements payable	-	11,180,131	11,180,131
Bonds payable	10,192,189	470,851	10,663,040
Net pension liability	8,160,061	546,919	8,706,980
Total liabilities	<u>20,135,187</u>	<u>16,371,183</u>	<u>36,506,370</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources related to pensions	869,452	63,277	932,729
<b>NET POSITION</b>			
Net investment in capital assets	6,027,754	16,106,276	22,134,030
Restricted for:			
Highways and streets	714,336	-	714,336
Capital projects	523,122	-	523,122
Debt service	457,027	588,280	1,045,307
Public safety	75,435	-	75,435
Other purposes	-	-	-
Unrestricted (deficit)	<u>(154,836)</u>	<u>(4,782,941)</u>	<u>(4,937,777)</u>
Total net position	<u>\$ 7,642,838</u>	<u>\$ 11,911,615</u>	<u>\$ 19,554,453</u>

TOWN OF CHINO VALLEY, ARIZONA  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
General government	\$ 4,284,837	\$ 613,638	\$ 35,277	\$ -
Public safety	3,628,745	251,450	58,402	43,018
Public works/streets	966,821	5,998	956,186	131,737
Culture and recreation	1,439,661	87,509	105,125	1,290,932
Health and welfare	330,967	12,066	57,200	-
Interest on long-term debt	480,172	-	-	-
Total governmental activities	<u>11,131,203</u>	<u>970,661</u>	<u>1,212,190</u>	<u>1,465,687</u>
Business-type activities				
Water	666,234	508,363	-	164,000
Sewer	2,156,401	1,406,137	-	406,089
Total business-type activities	<u>2,822,635</u>	<u>1,914,500</u>	<u>-</u>	<u>570,089</u>
Total primary government	<u>\$ 13,953,838</u>	<u>\$ 2,885,161</u>	<u>\$ 1,212,190</u>	<u>\$ 2,035,776</u>

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  
Special items  
Transfers in (out)  
  Total general revenues, special items  
  and transfers  
Change in net position  
Net position, beginning of year  
Net position, end of year

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (3,635,922)	\$ -	\$ (3,635,922)
(3,275,875)	-	(3,275,875)
127,100	-	127,100
43,905	-	43,905
(261,701)	-	(261,701)
(480,172)	-	(480,172)
<u>(7,482,665)</u>	<u>-</u>	<u>(7,482,665)</u>
-	6,129	6,129
-	(344,175)	(344,175)
-	(338,046)	(338,046)
<u>(7,482,665)</u>	<u>(338,046)</u>	<u>(7,820,711)</u>
5,603,710	-	5,603,710
117,715	-	117,715
3,996	-	3,996
712,352	-	712,352
1,020,252	-	1,020,252
1,362,532	-	1,362,532
22,124	2,724	24,848
-	277,659	277,659
<u>(75,000)</u>	<u>75,000</u>	<u>-</u>
<u>8,767,681</u>	<u>355,383</u>	<u>9,123,064</u>
1,285,016	17,337	1,302,353
<u>6,357,822</u>	<u>11,894,278</u>	<u>18,252,100</u>
<u>\$ 7,642,838</u>	<u>\$ 11,911,615</u>	<u>\$ 19,554,453</u>



# Government Funds Financial Statements

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## 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.

### Grants Fund

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

### Debt Service Fund

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

### Capital Improvement Fund

This fund accounts for 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

	General	Grants	Debt Service	Capital Improvement
<b>ASSETS</b>				
Cash and cash equivalents	\$ 3,239,686	\$ -	\$ 313,846	\$ 715,496
Receivables, net:				
Accounts receivable	61,018	1,353,979	-	-
Intergovernmental	878,522	-	-	205,023
Due from other funds	2,427,590	-	-	-
Prepays	35,764	-	-	-
Restricted cash and investments	-	-	337,968	-
<b>Total assets</b>	<b>\$ 6,642,580</b>	<b>\$ 1,353,979</b>	<b>\$ 651,814</b>	<b>\$ 920,519</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 186,766	\$ 73,448	\$ -	\$ 927
Court bonds	2,586	-	-	-
Accrued wages and benefits	163,944	-	-	-
Accrued liabilities	100,625	170	-	-
Matured interest payable	-	-	194,787	-
Customer deposits	3,166	-	-	-
Due to other funds	-	1,160,851	-	-
<b>Total liabilities</b>	<b>457,087</b>	<b>1,234,469</b>	<b>194,787</b>	<b>927</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - grants	-	575,000	-	-
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>575,000</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES</b>				
<b>Nonspendable</b>				
Due from other funds	1,266,462	-	-	-
Prepaid items	35,764	-	-	-
<b>Restricted</b>				
Highways and streets	38,895	-	-	-
Capital improvements	-	-	-	-
Debt service	-	-	457,027	-
Public safety	75,435	-	-	-
<b>Assigned</b>				
Capital improvements	192,946	-	-	919,592
<b>Unassigned</b>	<b>4,575,991</b>	<b>(455,490)</b>	<b>-</b>	<b>-</b>
<b>Total fund balances</b>	<b>6,185,493</b>	<b>(455,490)</b>	<b>457,027</b>	<b>919,592</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 6,642,580</b>	<b>\$ 1,353,979</b>	<b>\$ 651,814</b>	<b>\$ 920,519</b>

Non-Major Governmental Funds	Total Governmental Funds
\$ 1,135,967	\$ 5,404,995
14	1,415,011
83,923	1,167,468
-	2,427,590
-	35,764
-	337,968
<u>\$ 1,219,904</u>	<u>\$ 10,788,796</u>
\$ 12,689	\$ 273,830
-	2,586
8,372	172,316
3	100,798
-	194,787
-	3,166
<u>277</u>	<u>1,161,128</u>
<u>21,341</u>	<u>1,908,611</u>
<u>-</u>	<u>575,000</u>
<u>-</u>	<u>575,000</u>
-	1,266,462
-	35,764
675,441	714,336
523,399	523,399
-	457,027
-	75,435
-	1,112,538
<u>(277)</u>	<u>4,120,224</u>
<u>1,198,563</u>	<u>8,305,185</u>
<u>\$ 1,219,904</u>	<u>\$ 10,788,796</u>



TOWN OF CHINO VALLEY, ARIZONA  
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION  
GOVERNMENTAL FUNDS  
June 30, 2017

Total governmental funds balances		\$ 8,305,185
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	\$ 27,603,758	
Accumulated depreciation	<u>(11,326,361)</u>	16,277,397
Grant revenues earned but not received within 60 days of year-end are deferred for the governmental statements, but are recognized as revenue for the government-wide statements.		
		575,000
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	(8,160,061)	
Capital leases payable	(280,302)	
Bonds payable	(10,626,000)	
Issuance discount	124,811	
Interest payable	(451)	
Compensated absences	<u>(445,701)</u>	(19,387,704)
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	531,848	
Deferred outflows of resources related to pensions	1,633,723	
Deferred outflows of employer contributions	576,841	
Deferred inflows of resources related to pensions	<u>(869,452)</u>	1,872,960
Total net position of governmental activities		<u>\$ 7,642,838</u>

TOWN OF CHINO VALLEY, ARIZONA  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2017

	General	Grants	Debt Service	Capital Improvement
<b>REVENUES</b>				
Taxes	\$ 4,320,873	\$ -	\$ -	\$ 1,400,552
Licenses, permits and fees	557,892	-	-	-
Intergovernmental revenues	3,257,680	872,436	-	131,737
Charges for services	115,633	-	-	-
Fines and forfeitures	296,591	-	-	-
Interest income	17,259	-	-	193
Other revenues	10,643	23,956	-	-
Total revenues	<u>8,576,571</u>	<u>896,392</u>	<u>-</u>	<u>1,532,482</u>
<b>EXPENDITURES</b>				
Current:				
General government	3,877,707	22,501	-	-
Public safety	2,875,835	59,520	-	-
Public works/streets	-	-	-	-
Culture and recreation	986,967	1,394	-	-
Health and welfare	272,654	43,391	-	-
Capital outlay	140,165	1,312,094	-	244,538
Debt service:				
Principal retirement	42,086	-	-	-
Interest and fiscal charges	2,395	-	398,680	-
Total expenditures	<u>8,197,809</u>	<u>1,438,900</u>	<u>398,680</u>	<u>244,538</u>
Excess (deficiency) of revenues over (under) expenditures	<u>378,762</u>	<u>(542,508)</u>	<u>(398,680)</u>	<u>1,287,944</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of capital assets	750	-	-	-
Transfers in	450,000	-	727,000	-
Transfers out	(75,000)	-	-	(1,052,000)
Total other financing sources and (uses)	<u>375,750</u>	<u>-</u>	<u>727,000</u>	<u>(1,052,000)</u>
Net change in fund balances	754,512	(542,508)	328,320	235,944
Fund balances - beginning of year	<u>5,430,981</u>	<u>87,018</u>	<u>128,707</u>	<u>683,648</u>
Fund balances - end of year	<u>\$ 6,185,493</u>	<u>\$ (455,490)</u>	<u>\$ 457,027</u>	<u>\$ 919,592</u>

Non-Major Governmental Funds	Total Governmental Funds
\$ 3,996	\$ 5,725,421
3,254	561,146
924,026	5,185,879
-	115,633
-	296,591
4,672	22,124
2,744	37,343
<u>938,692</u>	<u>11,944,137</u>
-	3,900,208
-	2,935,355
524,963	524,963
-	988,361
-	316,045
30,395	1,727,192
78,647	120,733
4,475	405,550
<u>638,480</u>	<u>10,918,407</u>
<u>300,212</u>	<u>1,025,730</u>
1,381	2,131
75,000	1,252,000
(200,000)	(1,327,000)
<u>(123,619)</u>	<u>(72,869)</u>
176,593	952,861
<u>1,021,970</u>	<u>7,352,324</u>
<u>\$ 1,198,563</u>	<u>\$ 8,305,185</u>



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, 2017

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

Net change in fund balances - total governmental funds		\$ 952,861
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the difference between depreciation expense and capital outlay in the current period.</p>		
Capital outlay	1,641,599	
Depreciation expense	<u>(1,077,225)</u>	564,374
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
		517,562
<p>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.</p>		
Town pension contributions	576,841	
Pension expense	<u>(1,364,332)</u>	(787,491)
<p>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.</p>		
		120,733
<p>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.</p>		
Deferred amounts on refunding	(73,077)	
Bond discounts	<u>(8,608)</u>	(81,685)
<p>Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>		
		(1,531)
<p>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.</p>		
		<u>193</u>
Change in net position of governmental activities		<u>\$ 1,285,016</u>

TOWN OF CHINO VALLEY, ARIZONA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
Year Ended June 30, 2017

REVENUES	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Taxes				
City sales tax	\$ 4,076,000	\$ 4,076,000	\$ 4,203,158	\$ 127,158
Franchise taxes	128,000	128,000	117,715	(10,285)
Total taxes	<u>4,204,000</u>	<u>4,204,000</u>	<u>4,320,873</u>	<u>116,873</u>
Licenses and permits	338,000	338,000	557,892	219,892
Intergovernmental:				
State shared sales tax	1,046,000	1,046,000	1,020,252	(25,748)
State shared income tax	1,359,000	1,359,000	1,362,532	3,532
Vehicle license tax	663,000	663,000	712,352	49,352
Grants	52,000	52,000	55,720	3,720
Other intergovernmental	108,500	108,500	106,824	(1,676)
Total intergovernmental	<u>3,228,500</u>	<u>3,228,500</u>	<u>3,257,680</u>	<u>29,180</u>
Charges for services	127,500	127,500	115,633	(11,867)
Fines and forfeitures	223,400	223,400	296,591	73,191
Interest	1,600	1,600	17,259	15,659
Other Revenues				
Donations	2,500	2,500	2,374	(126)
Charges for administrative services	1,500	1,500	1,480	(20)
Miscellaneous	1,500	1,500	6,789	5,289
Total other revenues	<u>5,500</u>	<u>5,500</u>	<u>10,643</u>	<u>5,143</u>
<b>TOTAL REVENUES</b>	<u>8,128,500</u>	<u>8,128,500</u>	<u>8,576,571</u>	<u>448,071</u>
<b>EXPENDITURES</b>				
General government				
Legal services	123,700	123,700	114,443	9,257
Town clerk	224,000	224,000	198,063	25,937
Town Manager	371,400	391,400	386,438	4,962
Human resources	221,600	221,600	215,701	5,899
Municipal court	287,100	287,100	267,291	19,809
Finance	343,200	348,200	346,773	1,427
Customer service	118,100	118,100	106,412	11,688
Information systems	300,400	285,400	240,586	44,814
Mayor & council	43,200	43,200	32,895	10,305
Planning	207,000	207,000	178,103	28,897
Building inspection	257,700	257,700	239,162	18,538
Facilities maintenance	343,500	358,500	352,710	5,790
Fleet maintenance	283,000	263,000	241,120	21,880
Engineering	125,900	105,900	277,662	(171,762)
Contingencies	400,000	310,000	43,470	266,530
Court collection and improvements	30,000	30,000	14,341	15,659
Capital assets replacements	50,000	50,000	48,022	1,978
Nondepartmental	568,000	568,000	574,515	(6,515)
Total general government	<u>4,297,800</u>	<u>4,192,800</u>	<u>3,877,707</u>	<u>315,093</u>

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Public safety				
Police	2,781,000	2,781,000	2,755,375	25,625
Animal control	128,300	128,300	120,460	7,840
Total public safety	<u>2,909,300</u>	<u>2,909,300</u>	<u>2,875,835</u>	<u>33,465</u>
Culture and recreation				
Recreation	96,100	96,100	94,645	1,455
Library	312,600	317,600	316,005	1,595
Parks maintenance	321,600	326,600	335,114	(8,514)
Aquatics center	210,400	210,400	241,203	(30,803)
Total culture and recreation	<u>940,700</u>	<u>950,700</u>	<u>986,967</u>	<u>(36,267)</u>
Health and welfare				
Senior center	<u>271,600</u>	<u>276,600</u>	<u>272,654</u>	<u>3,946</u>
Capital outlay	<u>99,000</u>	<u>189,000</u>	<u>140,165</u>	<u>48,835</u>
Debt service:				
Principal retirement	<u>44,600</u>	<u>44,600</u>	<u>44,481</u>	<u>119</u>
TOTAL EXPENDITURES	<u>8,563,000</u>	<u>8,563,000</u>	<u>8,197,809</u>	<u>365,191</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(434,500)</u>	<u>(434,500)</u>	<u>378,762</u>	<u>813,262</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	1,000	1,000	750	(250)
Transfers in	250,000	250,000	450,000	200,000
Transfers out	(75,000)	(75,000)	(75,000)	-
Total other financing sources (uses)	<u>176,000</u>	<u>176,000</u>	<u>375,750</u>	<u>199,750</u>
Net change in fund balance	(258,500)	(258,500)	754,512	1,013,012
Fund balance - beginning of year	<u>5,430,981</u>	<u>5,430,981</u>	<u>5,430,981</u>	<u>-</u>
Fund balance - end of year	<u>\$ 5,172,481</u>	<u>\$ 5,172,481</u>	<u>\$ 6,185,493</u>	<u>\$ 1,013,012</u>

TOWN OF CHINO VALLEY, ARIZONA  
GRANTS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget- Positive (Negative)
<b>REVENUES</b>				
Intergovernmental revenues	\$ 3,500,000	\$ 3,500,000	\$ 872,436	\$ (2,627,564)
Other revenues	-	-	23,956	23,956
Total revenues	<u>3,500,000</u>	<u>3,500,000</u>	<u>896,392</u>	<u>(2,603,608)</u>
<b>EXPENDITURES</b>				
Current:				
General government	50,000	50,000	22,501	27,499
Public safety	100,000	100,000	59,520	40,480
Culture and recreation	100,000	100,000	1,394	98,606
Health and welfare	25,000	25,000	43,391	(18,391)
Capital outlay	3,225,000	3,225,000	1,312,094	1,912,906
Total expenditures	<u>3,500,000</u>	<u>3,500,000</u>	<u>1,438,900</u>	<u>2,061,100</u>
Net change in fund balance	-	-	(542,508)	(542,508)
Fund balance - beginning of year	<u>87,018</u>	<u>87,018</u>	<u>87,018</u>	<u>-</u>
Fund balance - end of year	<u>\$ 87,018</u>	<u>\$ 87,018</u>	<u>\$ (455,490)</u>	<u>\$ (542,508)</u>

# Proprietary Fund Financial Statements

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## **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, 2017

	Business-type Activities-Enterprise Funds		
	Water	Sewer	Total
<b>ASSETS</b>			
Current assets			
Receivables (net of allowance)	\$ 71,581	\$ 95,968	\$ 167,549
Intergovernmental receivables	-	75,494	75,494
Total current assets	<u>71,581</u>	<u>171,462</u>	<u>243,043</u>
Noncurrent assets			
Restricted cash and investments	-	588,280	588,280
Hookups receivable	-	165,341	165,341
Land	3,211,136	-	3,211,136
Water rights	668,553	-	668,553
Buildings	6,433	-	6,433
Treatment facilities	-	9,791,955	9,791,955
Water distribution system	3,361,625	-	3,361,625
Sewer collection system	-	22,181,928	22,181,928
Machinery and equipment	250,962	690,607	941,569
Accumulated depreciation	(1,747,983)	(9,917,316)	(11,665,299)
Total noncurrent assets	<u>5,750,726</u>	<u>23,500,795</u>	<u>29,251,521</u>
Total assets	<u>5,822,307</u>	<u>23,672,257</u>	<u>29,494,564</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources related to pensions	41,687	43,463	85,150
Deferred outflows of employer contributions to pensions	13,049	19,774	32,823
Total deferred outflows of resources	<u>54,736</u>	<u>63,237</u>	<u>117,973</u>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	3,417	86,142	89,559
Accrued wages and benefits	4,816	7,122	11,938
Accrued liabilities	6,500	-	6,500
Interest payable	11,681	131,803	143,484
Due to other funds	678,160	588,302	1,266,462
Customer deposits	29,300	49,142	78,442
Unearned revenue	-	3,064,473	3,064,473
Compensated absences	5,500	5,500	11,000
Capital leases - current portion	10,938	10,938	21,876
Loans payable - current portion	-	640,822	640,822
Bonds payable - current portion	50,000	-	50,000
Total current liabilities	<u>800,312</u>	<u>4,584,244</u>	<u>5,384,556</u>
Noncurrent liabilities			
Compensated absences	9,226	18,018	27,244
Developer agreement payable	420,733	-	420,733
Capital leases, net of current portion	13,972	13,972	27,944
Loans payable, net of current portion	-	10,759,398	10,759,398
Bonds payable, net of current portion	470,851	-	470,851
Net pension liability	272,520	274,399	546,919
Total noncurrent liabilities	<u>1,187,302</u>	<u>11,065,787</u>	<u>12,253,089</u>
Total liabilities	<u>1,987,614</u>	<u>15,650,031</u>	<u>17,637,645</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources related to pensions	30,979	32,298	63,277
<b>NET POSITION</b>			
Net investment in capital assets	4,784,232	11,322,044	16,106,276
Restricted for debt service	-	588,280	588,280
Unrestricted	(925,782)	(3,857,159)	(4,782,941)
Total net position	<u>\$ 3,858,450</u>	<u>\$ 8,053,165</u>	<u>\$ 11,911,615</u>

TOWN OF CHINO VALLEY, ARIZONA  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
Year Ended June 30, 2017

	Business-type Activities-Enterprise Funds		
	Water	Sewer	Total
Operating revenues			
Charges for services	\$ 441,975	\$ 1,350,834	\$ 1,792,809
Other revenues	66,388	-	66,388
Total operating revenue	508,363	1,350,834	1,859,197
Operating expenses			
Salaries	122,065	184,648	306,713
Employee benefits	57,054	83,649	140,703
Service, supplies and other	134,111	324,722	458,833
Repairs and maintenance	50,383	69,919	120,302
Utilities	68,698	92,944	161,642
Legal and professional	8,331	29,198	37,529
Contract service	3,453	-	3,453
Training and travel	2,200	2,880	5,080
Office expenses	4,046	2,978	7,024
Dues and subscriptions	1,046	6,300	7,346
Depreciation	185,901	1,099,782	1,285,683
Miscellaneous	5,583	-	5,583
Total operating expenses	642,871	1,897,020	2,539,891
Operating income (loss)	(134,508)	(546,186)	(680,694)
Non-operating Revenues (Expenses)			
Interest income	-	2,724	2,724
Interest expense and fiscal charges	(23,363)	(259,381)	(282,744)
Miscellaneous nonoperating revenues	-	55,303	55,303
Total nonoperating revenue (expense)	(23,363)	(201,354)	(224,717)
Income (loss) before special items and transfers	(157,871)	(747,540)	(905,411)
Special items	-	277,659	277,659
Buy-in and connection fees	164,000	406,089	570,089
Transfers in	75,000	-	75,000
Change in net position	81,129	(63,792)	17,337
Net position, beginning of year	3,777,321	8,116,957	11,894,278
Net position-end of year	\$ 3,858,450	\$ 8,053,165	\$ 11,911,615

TOWN OF CHINO VALLEY, ARIZONA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2017

	<u>Business-type Activities-Enterprise Funds</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers, service fees	\$ 452,287	\$ 1,306,118	\$ 1,758,405
Cash received from customers, others	66,388	-	66,388
Cash paid to suppliers	(291,642)	(462,368)	(754,010)
Cash paid to employees	(168,239)	(251,760)	(419,999)
Cash flows provided (used) by operating activities	<u>58,794</u>	<u>591,990</u>	<u>650,784</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Nonoperating receipts	-	55,303	55,303
Interfund borrowing	(165,656)	217,283	51,627
Interfund transfers	75,000	-	75,000
Cash flows provided (used) by noncapital and related financing activities	<u>(90,656)</u>	<u>272,586</u>	<u>181,930</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchase of capital assets	(52,270)	(1,560,887)	(1,613,157)
Capital debt proceeds	-	1,155,351	1,155,351
Principal paid on long term debt	(55,730)	(598,257)	(653,987)
Interest paid on long-term debt	(24,138)	(270,519)	(294,657)
Receipts from buy-in and connection fees	164,000	513,176	677,176
Cash flows provided (used) by capital and related financing activities	<u>31,862</u>	<u>(761,136)</u>	<u>(729,274)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Receipts from investment earnings	-	2,724	2,724
Cash flows provided (used) by investing activities	<u>-</u>	<u>2,724</u>	<u>2,724</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<u>-</u>	<u>106,164</u>	<u>106,164</u>
Cash and cash equivalents at beginning of year	-	482,116	482,116
Cash and cash equivalents at end of year	<u>\$ -</u>	<u>\$ 588,280</u>	<u>\$ 588,280</u>

TOWN OF CHINO VALLEY, ARIZONA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS (CONTINUED)  
Year Ended June 30, 2017

	Business-type Activities-Enterprise Funds		
	Water	Sewer	Total
Reconciliation of operating loss to net cash provided (used) by operating activities:			
Net operating loss	\$ (134,508)	\$ (546,186)	\$ (680,694)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:			
Depreciation/amortization expense	185,901	1,099,782	1,285,683
Pension expense	23,028	26,419	49,447
Employer pension contributions	(13,049)	(19,774)	(32,823)
Provision for bad debt	547	50,002	50,549
Changes in operating assets and liabilities (Increase)/decrease in:			
Accounts receivable	8,115	(37,745)	(29,630)
Increase/(decrease) in:			
Accounts payable	(12,544)	66,573	54,029
Accrued wages and benefits	1,089	1,288	2,377
Accrued liabilities	(1,247)	-	(1,247)
Customer deposits	1,650	10,111	11,761
Unearned revenue	-	(67,084)	(67,084)
Compensated absences	(188)	8,604	8,416
Net cash provided (used) by operating activities:	<u>\$ 58,794</u>	<u>\$ 591,990</u>	<u>\$ 650,784</u>
Noncash investing, capital, and financing activities:			
Special items - debt forgiveness	-	277,659	277,659
Amortization of bond premium	100	-	100

# **Notes to the Financial Statements**

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TOWN OF CHINO VALLEY, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2017

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.

TOWN OF CHINO VALLEY, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2017

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

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

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

The Town reports the following major proprietary funds:

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

TOWN OF CHINO VALLEY, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

D. 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.

TOWN OF CHINO VALLEY, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. 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.

E. 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. All investments are stated at fair value.

F. 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.

TOWN OF CHINO VALLEY, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Inventories and Prepaid Items

Purchases of inventory items are recorded at the time of purchase (purchases method) as expenditures in the funds from which the purchases were made; and because the amounts on hand at June 30, 2017, were immaterial, they are not included in the balance sheet.

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

H. 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.

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 acquisition value. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. 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:

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

TOWN OF CHINO VALLEY, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2017

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. Pensions

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

L. Net Position Flow Assumption

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

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

TOWN OF CHINO VALLEY, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

TOWN OF CHINO VALLEY, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

TOWN OF CHINO VALLEY, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 August 16, 2016.
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.

TOWN OF CHINO VALLEY, ARIZONA  
 NOTES TO THE FINANCIAL STATEMENTS  
 June 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. Budgets and Budgetary Accounting (Continued)

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 General Fund Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual report an excess of expenditures over appropriations in the Engineering Department, Parks Maintenance Department, Aquatics Department and Nondepartmental for the year ended June 30, 2017.

T. Deficit Fund Balance

The Grants Fund had a deficit fund balances at June 30, 2017 of \$455,490. These deficits will be financed through future revenues and current unavailable revenues of the fund.

NOTE 2 CASH AND INVESTMENTS

The following table summarizes the Town's cash and investments at June 30, 2017:

	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	\$ 5,404,995	\$ -	\$ 5,404,995
Restricted cash and cash equivalents	337,968	588,280	926,248
Total	<u>\$ 5,742,963</u>	<u>\$ 588,280</u>	<u>\$ 6,331,243</u>

Deposits

Cash in bank - At June 30, 2017, the Town had \$3,700 of cash on hand. The carrying amount of the Town's cash in bank totaled \$2,059,621 and the bank balance was \$2,194,650. Of the bank balance, \$287,225 was covered by federal depository insurance, and \$1,907,425 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, 2017, the Town had restricted cash and cash equivalents of \$926,248. Of this balance, \$588,280 was restricted in reserve funds for the loans payable to the Water Infrastructure Finance Authority of Arizona (WIFA) and \$337,968 was held in a money market with US Bank.

TOWN OF CHINO VALLEY, ARIZONA  
 NOTES TO THE FINANCIAL STATEMENTS  
 June 30, 2017

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 22 days for Pool 5 and 73 days for Pool 7. The net asset value per share of the pool at June 30, 2017 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, 2017, the Town's funds invested with the State Treasurer totaled \$3,929,954.

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Information about the sensitivity of the fair values of the Town's investments to market interest rate fluctuations is provided by the following table that shows the distribution of Town's investments by maturity:

<u>Investment Type</u>	<u>Remaining Maturity 12 Months or Less</u>
Primary Government	
Money Market	\$ 337,968
LGIP	<u>3,929,954</u>
Total	<u>\$ 4,267,922</u>

TOWN OF CHINO VALLEY, ARIZONA  
 NOTES TO THE FINANCIAL STATEMENTS  
 June 30, 2017

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.

Investment Type	Total	Ratings		
		AAAF/S1+	AAA	Unrated
Primary Government				
Money Market	\$ 337,968	\$ -	\$ -	\$ 337,968
LGIP	3,929,954	561,434	-	3,368,520
Total	<u>\$ 4,267,922</u>	<u>\$ 561,434</u>	<u>\$ -</u>	<u>\$ 3,706,488</u>

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.

	Water Fund	Sewer Fund	Total Enterprise
Receivables:			
Service billings receivable	78,581	145,968	224,549
Less: Allowance for doubtful accounts	(7,000)	(50,000)	(57,000)
Net Receivables	<u>\$ 71,581</u>	<u>\$ 95,968</u>	<u>\$ 167,549</u>

Hookups receivable of \$165,341 reported in the proprietary funds are for amounts receivable from customers for hookup fees that are paid over a ten year period.

TOWN OF CHINO VALLEY, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2017

NOTE 4 CAPITAL ASSETS

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

<b>Governmental Activities</b>	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 2,418,867	\$ -	\$ -	\$ 2,418,867
Construction in progress	100,263	1,440,927	-	1,541,190
Total capital assets not being depreciated	2,519,130	1,440,927	-	3,960,057
Capital assets, being depreciated:				
Buildings	10,460,959	56,278	(21,786)	10,495,451
Improvements other than buildings	1,364,368	-	-	1,364,368
Vehicles, furniture and equipment	4,348,219	144,394	(29,958)	4,462,655
Infrastructure	7,321,227	-	-	7,321,227
Total capital assets being depreciated	23,494,773	200,672	(51,744)	23,643,701
Less accumulated depreciation for:				
Buildings	(4,741,366)	(400,346)	21,786	(5,119,926)
Improvements other than buildings	(816,673)	(61,218)	-	(877,891)
Vehicles, furniture and equipment	(3,251,573)	(304,555)	29,958	(3,526,170)
Infrastructure	(1,491,268)	(311,106)	-	(1,802,374)
Total accumulated depreciation	(10,300,880)	(1,077,225)	51,744	(11,326,361)
Total capital assets, being depreciated, net	13,193,893	(876,553)	-	12,317,340
Governmental activities capital assets, net	\$ 15,713,023	\$ 564,374	\$ -	\$ 16,277,397

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

Governmental activities:	
General government	\$ 163,909
Public safety	168,901
Highway and streets	394,323
Culture and recreation	348,125
Health and Welfare	1,967
Total depreciation expense	\$ 1,077,225

TOWN OF CHINO VALLEY, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2017

NOTE 4 CAPITAL ASSETS (Continued)

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

<b>Business-Type Activities</b>	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 3,211,136	\$ -	\$ -	\$ 3,211,136
Construction in progress	25,320	-	(25,320)	-
Water rights	668,553	-	-	668,553
Total capital assets not being depreciated	3,905,009	-	(25,320)	3,879,689
Capital assets, being depreciated:				
Buildings	6,433	-	-	6,433
Treatment facilities	9,791,955	-	-	9,791,955
Water distribution system	3,361,625	-	-	3,361,625
Sewer collection system	20,906,604	1,275,324	-	22,181,928
Machinery, equipment & vehicles	585,568	363,153	(7,152)	941,569
Total capital assets being depreciated	34,652,185	1,638,477	(7,152)	36,283,510
Less accumulated depreciation for:				
Buildings	(6,433)	-	-	(6,433)
Treatment facilities	(2,145,152)	(194,501)	-	(2,339,653)
Water distribution system	(1,422,304)	(168,787)	-	(1,591,091)
Sewer collection system	(6,556,029)	(836,002)	-	(7,392,031)
Machinery, equipment & vehicles	(256,850)	(86,393)	7,152	(336,091)
Total accumulated depreciation	(10,386,768)	(1,285,683)	7,152	(11,665,299)
Total capital assets, being depreciated, net	24,265,417	352,794	-	24,618,211
Business-Type activities capital assets, net	\$ 28,170,426	\$ 352,794	\$ (25,320)	\$ 28,497,900

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

Business-type activities	
Water	\$ 185,901
Sewer	1,099,782
Total depreciation expense	\$ 1,285,683

TOWN OF CHINO VALLEY, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2017

NOTE 5 LONG-TERM DEBT

The following is a summary of changes in long-term obligations for the year ended June 30, 2017:

	Balance 6/30/16	Additions	Retirements	Balance 6/30/17	Due Within One Year
<b>Governmental Activities:</b>					
Bonds payable					
Revenue bond series 2016	\$ 3,346,000	\$ -	\$ -	\$ 3,346,000	\$ 309,000
Revenue bond series 2010	7,280,000	-	-	7,280,000	-
Discount on bonds	(133,419)	-	8,608	(124,811)	-
Total bonds payable	<u>10,492,581</u>	<u>-</u>	<u>8,608</u>	<u>10,501,189</u>	<u>309,000</u>
Capital leases payable					
Equipment lease	401,035	-	(120,733)	280,302	123,081
Total leases payable	<u>401,035</u>	<u>-</u>	<u>(120,733)</u>	<u>280,302</u>	<u>123,081</u>
Compensated absences	444,170	474,571	(473,040)	445,701	250,000
Net pension liability	7,098,951	1,061,110	-	8,160,061	-
Total other long term debt	<u>7,543,121</u>	<u>1,535,681</u>	<u>(473,040)</u>	<u>8,605,762</u>	<u>250,000</u>
Total Governmental Activities	<u>18,436,737</u>	<u>1,535,681</u>	<u>(585,165)</u>	<u>19,387,253</u>	<u>682,081</u>
<b>Business-type Activities:</b>					
Bonds payable					
Revenue bond series 2010	565,000	-	(45,000)	520,000	50,000
Premium on bonds	951	-	(100)	851	-
Total bonds payable	<u>565,951</u>	<u>-</u>	<u>(45,100)</u>	<u>520,851</u>	<u>50,000</u>
Loans payable					
WIFA					
Series 2007	1,012,403	-	(80,034)	932,369	82,242
Series 2008	3,496,027	-	(248,952)	3,247,075	255,957
Series 2014	2,841,817	-	(124,303)	2,717,514	126,801
Series 2015	-	50,354	(9,861)	40,493	9,965
Series 2016	3,684,314	575,332	(124,377)	4,135,269	153,701
Series 2017	-	327,500	-	327,500	12,156
Total loans payable	<u>11,034,561</u>	<u>953,186</u>	<u>(587,527)</u>	<u>11,400,220</u>	<u>640,822</u>
Capital leases payable					
Equipment lease	71,280	-	(21,460)	49,820	21,876
Total leases payable	<u>71,280</u>	<u>-</u>	<u>(21,460)</u>	<u>49,820</u>	<u>21,876</u>
Compensated absences	29,828	26,600	(18,184)	38,244	11,000
Developer agreement payable	420,733	-	-	420,733	-
Net pension liability	519,514	27,405	-	546,919	-
Total other long term debt	<u>970,075</u>	<u>54,005</u>	<u>(18,184)</u>	<u>1,005,896</u>	<u>11,000</u>
Total Business-type Activities	<u>12,641,867</u>	<u>1,007,191</u>	<u>(672,271)</u>	<u>12,976,787</u>	<u>723,698</u>
Total long-term liabilities	<u>\$ 31,078,604</u>	<u>\$ 2,542,872</u>	<u>\$ (1,257,436)</u>	<u>\$ 32,364,040</u>	<u>\$ 1,405,779</u>

TOWN OF CHINO VALLEY, ARIZONA  
 NOTES TO THE FINANCIAL STATEMENTS  
 June 30, 2017

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:

Fiscal year ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2018	\$ 309,000	\$ 385,927	\$ 690,822	\$ 281,018
2019	470,000	382,023	706,843	263,885
2020	525,000	371,991	723,272	245,039
2021	606,000	359,162	745,121	225,425
2022	641,000	342,699	752,012	205,342
2023 - 2027	3,555,000	1,404,830	4,018,473	701,580
2028 - 2032	4,520,000	664,288	2,239,527	314,918
2033 - 2037	-	-	1,754,449	101,951
2038	-	-	289,701	237
Total	<u>\$ 10,626,000</u>	<u>\$ 3,910,920</u>	<u>\$ 11,920,220</u>	<u>\$ 2,339,395</u>

The following is a listing of bonds payable outstanding as of June 30, 2017:

	Balance 6/30/17	Due Within One Year
Bonds payable:		
Governmental Activities:		
Excise Tax Revenue Bonds, Series 2016, due in annual principal and semi-annual interest installments ranging from \$309,000 to \$362,000 bearing interest at 2.758%, maturing July 2026.	\$ 3,346,000	\$ 309,000
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.	520,000	50,000
Total bonds payable	<u>\$ 11,146,000</u>	<u>\$ 359,000</u>

TOWN OF CHINO VALLEY, ARIZONA  
 NOTES TO THE FINANCIAL STATEMENTS  
 June 30, 2017

NOTE 5 LONG-TERM DEBT (Continued)

The following is a listing of loans payable outstanding as of June 30, 2017:

Loans payable:	<u>Balance 6/30/17</u>	<u>Due Within One Year</u>
Business-type Activities:		
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.	\$ 932,369	\$ 82,242
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.	3,247,075	255,957
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.	2,717,514	126,801
Water Infrastructure Finance Authority of Arizona (WIFA) loan, due in semi-annual variable principal and interest installments, bearing interest at 1.048%, maturing July 1, 2020.	40,493	9,965
Water Infrastructure Finance Authority of Arizona (WIFA) loan, due in semi-annual variable principal and interest installments, bearing interest at 2.344%, maturing July 1, 2037.	4,135,269	153,701
Water Infrastructure Finance Authority of Arizona (WIFA) loan, due in semi-annual variable principal and interest installments, bearing interest at 3.200%, maturing July 1, 2037.	<u>327,500</u>	<u>12,156</u>
Total loans payable - business-type activities	<u>\$ 11,400,220</u>	<u>\$ 640,822</u>

Developer agreements payable outstanding as of June 30, 2017:

Developer agreement payable:	<u>Balance 6/30/17</u>	<u>Due Within One Year</u>
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	\$ -

TOWN OF CHINO VALLEY, ARIZONA  
 NOTES TO THE FINANCIAL STATEMENTS  
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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, 2017.

<u>Year Ending, June 30</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2018	\$ 127,603	\$ 22,680
2019	127,603	22,680
2020	<u>31,902</u>	<u>5,670</u>
Total requirements	287,108	51,030
Less interest	<u>6,805</u>	<u>1,210</u>
Present value of remaining payments	<u>\$ 280,303</u>	<u>\$ 49,820</u>

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Asset		
Vehicles	<u>\$ 607,390</u>	<u>\$ 107,957</u>
Subtotal		
Less accumulated depreciation	<u>(286,143)</u>	<u>(32,370)</u>
Net	<u>\$ 321,247</u>	<u>\$ 75,587</u>

NOTE 6 SPECIAL ITEMS

On February 23, 2017 the Town issued loans with WIFA in the amount of 640,000, of which \$277,659 has been recognized as a special item gain on debt forgiveness, \$34,841 has been de-obligated by WIFA as requested by the Town, and \$327,500 is intended for repayment as disclosed in Note 5.

TOWN OF CHINO VALLEY, ARIZONA  
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NOTE 7 PLEDGED REVENUES

The Town has pledged a portion of the future excise taxes and state shared revenues to repay \$3.3 million in MPC Revenue Bonds issued in 2016 and to repay \$7.28 million in MPC Revenue Bonds issued in 2010. The 2016 MPC bonds were used to refinance the remaining portion of a 2007 GADA loan. The 2010 MPC bonds were used to refund the remaining portion of the MPC 2004 Revenue Bonds. The bonds are payable from excise taxes and state shared revenues of the Town. Annual principal and interest payments on the bonds are estimated to require 10% of excise tax and state shared revenues. Total principal and interest remaining on the 2016 bonds are \$3,683,662 payable through July 2026. The principal and interest remaining on the 2010 bonds are \$10,547,588 payable through August 2031. For the current year, interest of \$35,727 was paid on the 2016 bonds and the interest paid on the 2010 bonds was \$331,638. Total excise taxes and state shared revenues were \$8,816,561.

The Town has pledged a portion of future sewer system customer revenues, net of specified operating expenses, and future excise taxes and state shared revenues to repay \$9.7 million in WIFA loans issued in 2007, 2008, 2014, 2016 and 2017. Proceeds from the loans provided financing for development of the Town's sewer system. The loans are payable from sewer system customer net revenues and excise taxes and state shared revenues. The WIFA loans are payable through July 2026, 2027, 2034 and 2037. Annual principal and interest payments on the loans are estimated to require 7% of total net sewer system, excise taxes and state shared revenues. The total principal and interest remaining to be paid on the WIFA loans is \$13,613,604. For the current year, principal and interest paid was \$846,908, sewer system customer net revenues were \$1,350,834, and excise taxes and state shared revenues were \$8,816,561.

NOTE 8 INTERFUND RECEIVABLES, PAYABLES AND TRANSFER

As of June 30, 2017, interfund receivables and payables that resulted from various interfund transactions were as follows:

Fund	Receivable Amount	Payable Amount
General Fund	\$ 2,427,590	\$ -
Grants Fund	-	1,160,851
Non-Major Governmental Funds	-	277
Water Fund	-	678,160
Sewer Fund	-	588,302
Total	\$ 2,427,590	\$ 2,427,590

TOWN OF CHINO VALLEY, ARIZONA  
 NOTES TO THE FINANCIAL STATEMENTS  
 June 30, 2017

NOTE 8 INTERFUND RECEIVABLES, PAYABLES AND TRANSFER (Continued)

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.

Interfund transfers for the fiscal year ended June 30, 2017 are as follows:

Fund	Transfers Out	Transfers In
General Fund	\$ 75,000	\$ 450,000
Debt Service	-	727,000
Capital Improvements	1,052,000	-
Non-Major Governmental Funds	200,000	75,000
Water Fund	-	75,000
Total	\$ 1,327,000	\$ 1,327,000

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, 2017, 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	\$ 8,160,061	\$ 546,919	\$ 8,706,980
Deferred outflows of resources	2,210,564	117,973	2,328,537
Deferred inflows of resources	869,452	63,277	932,729
Pension expense	1,364,332	49,447	1,413,779

TOWN OF CHINO VALLEY, ARIZONA  
 NOTES TO THE FINANCIAL STATEMENTS  
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NOTE 9 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

The Town reported \$576,841 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 website at [www.azasrs.gov](http://www.azasrs.gov).

**Benefits Provided** - The ASRS provides retirement, health insurance premium supplement, long-term disability, and survivor benefits. State statute establishes benefits terms. Retirement benefits 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 retirement benefit option chosen determines the survivor benefit. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contributions and employer's contributions, plus interest earned.

TOWN OF CHINO VALLEY, ARIZONA  
 NOTES TO THE FINANCIAL STATEMENTS  
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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, 2017, statute required active ASRS members to contribute at the actuarially determined rate of 11.48 percent (11.34 percent for retirement and 0.14 percent for long-term disability) of the members' annual covered payroll, and statute requires the Town to contribute at the actuarially determined rate of 11.48 percent (10.78 percent for retirement, 0.56 percent for health insurance premium benefit, and 0.14 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, 2017 were \$328,380. 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	Health Benefit Supplement Fund	Long-Term Disability Fund
Year ended June 30		
2017	\$ 17,059	\$ 4,265
2016	15,491	3,718
2015	17,699	3,540

During fiscal year 2017, the Town paid for ASRS pension and OPEB contributions as follows: 82.5 percent from the General Fund, 4 percent from the water fund, 6 percent from the sewer fund and 7.5 percent from other non-major funds.

**Pension Liability** - At June 30, 2017, the Town reported a liability of \$5,318,461 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2016. 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, 2015, to the measurement date of June 30, 2016. The total pension liability as of June 30, 2016, reflects a change in actuarial assumption for a decrease in loads for future potential permanent benefit increases.

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, 2016. The Town's proportion measured as of June 30, 2016, was 0.032955 percent, which was an increase of 0.000871% from its proportion measured as of June 30, 2015.

The Town's reported liability at June 30, 2017, increased by \$320,985 from the Town's prior year liability of \$4,997,476 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.

TOWN OF CHINO VALLEY, ARIZONA  
 NOTES TO THE FINANCIAL STATEMENTS  
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NOTE 9 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

**Pension Expense and Deferred Outflows/Inflows of Resources** - For the year ended June 30, 2017, the Town recognized pension expense for ASRS of \$579,137. At June 30, 2017, 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
	<u>                    </u>	<u>                    </u>
Differences between expected and actual experience	\$ 32,320	\$ 365,871
Changes of assumptions or other inputs	-	281,389
Net difference between projected and actual earnings on pension plan investments	576,344	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	264,158	-
Town contributions subsequent to the measurement date	<u>328,380</u>	<u>-</u>
Total	<u><u>\$ 1,201,202</u></u>	<u><u>\$ 647,260</u></u>

The \$328,380 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, 2018. 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	
2018	\$ (58,702)
2019	(121,095)
2020	243,754
2021	161,605
Thereafter	-

TOWN OF CHINO VALLEY, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
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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, 2015
Actuarial roll forward date	June 20, 2016
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, 2015, 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 8.75 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:

Asset Class	Target Allocation	Long-term expected arithmetic real rate of return
Equity	58%	6.73%
Fixed Income	25%	3.70%
Real estate	10%	4.25%
Multi-asset	5%	3.41%
Commodities	2%	3.84%
Total	100%	

NOTE 9 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

**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 8.75 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.

**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	\$ 6,781,442	\$ 5,318,461	\$ 4,145,470

**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 nine-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

The PSPRS issues a publicly available financial report that include their financial statements and required supplementary information. The report is available on the PSPRS website at [www.psprs.com](http://www.psprs.com).

TOWN OF CHINO VALLEY, ARIZONA  
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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 Retirement and Disability	Initial membership date:	
	Before January 1, 2012	On or after January 1, 2012
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, multiplied by years of credited service (not to exceed 20 years) divided by 20	
<b>Survivor Benefits</b>		
Retired Members	80% of retired member's pension benefit	
Active Members	40% of average monthly compensation or 100% of average monthly compensation if death was the result of injuries received on the job. If there is no surviving spouse or eligible children, the beneficiary is entitled to 2 times the member's contributions.	

TOWN OF CHINO VALLEY, ARIZONA  
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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. In addition, the Legislature may enact permanent one-time benefit increases after a Joint Legislative Budget Committee analysis of the increase's effects on the plan. 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, 2017, the following employees were covered by the agent pension plans' benefit terms:

	PSPRS Police
Inactive employees or beneficiaries	
currently receiving benefits	8
Inactive employees entitled to	
by not yet receiving benefits	7
Active employees	<u>20</u>
Total	<u><u>35</u></u>

**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, 2017, are indicated below. Rates are a percentage of active members' annual covered payroll.

	PSPRS Police
Active members - Pension	<u>11.65%</u>
PSPRS members with an initial membership date on or before July 19, 2011:	
Town	
Pension	25.79%
Health insurance permium benefit	0.25%
PSPRS members with an initial membership date after July 19, 2011:	
Town	
Pension	23.57%
Health insurance permium benefit	0.25%

TOWN OF CHINO VALLEY, ARIZONA  
 NOTES TO THE FINANCIAL STATEMENTS  
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NOTE 9 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

In addition, statute required the Town to contribute at the actuarially determined rate indicated below of annual covered payroll of retired members who worked for the Town in positions that an employee who contributes to the PSPRS would typically fill.

	PSPRS Police
Pension	13.99%
Health insurance permium benefit	0.00%

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, 2017, were:

	PSPRS Police
Pension	
Contributions made	\$ 281,284
Health Insurance Permium Benefit	
Annual OPEB cost contributions made	2,727

During fiscal year 2017, the Town paid 100 percent of the PSPRS pension and OPEB contributions from the General Fund.

**Pension Liability** - At June 30, 2017, the Town reported a PSPRS net pension liabilities of \$3,388,520.

The net pension liability was measured as of June 30, 2016, 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, 2016, reflect the following changes of benefit terms and actuarial assumptions.

- In May 2016 voters approved Proposition 124 that authorized certain statutory adjustments to PSPRS' automatic cost-of-living adjustments. The statutory adjustments change the basis for future cost-of-living adjustments from excess investment earnings to the change in the consumer price index, limited to a maximum annual increase of 2 percent.
- Laws 2016, Chapter 2, changed the benefit formula and contribution requirements for members hired on or after July 1, 2017.
- The investment rate of return actuarial assumption was decreased from 7.85 percent to 7.50 percent for PSPRS.

TOWN OF CHINO VALLEY, ARIZONA  
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NOTE 9 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

The net pension liabilities measured as of June 30, 2017, will reflect changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016. The change in the Town's net pension liabilities as a result of these changes is not known.

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

PSPRS

Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry age normal
Investment rate of return	7.50%
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)

Actuarial assumptions used in the June 30, 2016, 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 7.50 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 arithmetic real rates of return for each major asset class are summarized in the following table:

PSPRS Asset Class	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return
Short term investments	2%	0.75%
Absolute return	5%	4.11%
Risk parity	4%	5.13%
Fixed income	7%	2.92%
Real assets	8%	4.77%
GTAA	10%	4.38%
Private equity	11%	9.50%
Real estate	10%	4.48%
Credit opportunities	13%	7.08%
Non-U.S. equity	14%	8.25%
U.S. equity	16%	6.23%
Total	100.00%	

TOWN OF CHINO VALLEY, ARIZONA  
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NOTE 9 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

**Pension Discount Rates** – At June 30, 2016, the discount rate used to measure the PSPRS total pension liability was 7.50 percent, which was a decrease of 0.35 from the discount rate used as of June 30, 2015. 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.

**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, 2016	\$ 6,843,735	\$ 4,222,746	\$ 2,620,989
Changes for the year:			
Service Cost	220,166		220,166
Interest on the total pension liability	533,567		533,567
Changes of benefit terms	361,211		361,211
Differences between expected and actual experience in the measurement of the pension liability	(230,538)		(230,538)
Changes of assumptions or other inputs	269,553		269,553
Contributions - employer		269,502	(269,502)
Contributions - employee		145,561	(145,561)
Net investment income		24,661	(24,661)
Benefit payments, including refunds of employee contributions	(313,564)	(313,564)	-
Administrative expense		(3,949)	3,949
Other changes		(49,347)	49,347
Net changes	840,395	72,864	767,531
Balances at June 30, 2017	\$ 7,684,130	\$ 4,295,610	\$ 3,388,520

TOWN OF CHINO VALLEY, ARIZONA  
 NOTES TO THE FINANCIAL STATEMENTS  
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NOTE 9 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

**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 rate of 7.50 percent, 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 (6.50 percent) or 1 percentage point higher (8.50 percent) than the current rate:

PSPRS - Police	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% increase (8.50%)
Total pension liability	\$ 8,661,811	\$ 7,684,130	\$ 6,878,995
Plan fiduciary net position	4,295,610	4,295,610	4,295,610
Net pension liability	\$ 4,366,201	\$ 3,388,520	\$ 2,583,385

**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, 2017, the Town recognized \$834,642 of PSPRS pension expense.

**Pension Deferred Outflows/Inflows of Resources** - At June 30, 2017, 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	\$ 7,999	\$ 201,740
Changes of assumptions or other inputs	486,972	-
Net difference between projected and actual earnings on pension plan investments	351,081	83,728
Town contributions subsequent to the measurement date	281,284	-
Total	\$ 1,127,336	\$ 285,468

TOWN OF CHINO VALLEY, ARIZONA  
 NOTES TO THE FINANCIAL STATEMENTS  
 June 30, 2017

NOTE 9 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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, 2018. 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	
2017	\$	144,079
2018		144,077
2019		185,943
2020		79,570
2021		6,048
Thereafter		867

**Agent plan OPEB actuarial assumptions** - The health insurance premium benefit contribution requirements for the year ended June 30, 2017, were established by the June 30, 2015, 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.

TOWN OF CHINO VALLEY, ARIZONA  
 NOTES TO THE FINANCIAL STATEMENTS  
 June 30, 2017

NOTE 9 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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 2017 contribution requirements:

PSPRS - OPEB Contribution Requirements

Actuarial valuation date	June 30, 2015
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	21 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 80%/20% corridor
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4% - 8% for PSPRS
Wage growth	4% for PSPRS

**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
2017	\$ 2,727	100%	\$ -
2016	1,127	100%	-
2015	17,739	100%	-

TOWN OF CHINO VALLEY, ARIZONA  
 NOTES TO THE FINANCIAL STATEMENTS  
 June 30, 2017

NOTE 9 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

**Agent plan OPEB funded status** - The health insurance premium benefit plans' funded status as of the most recent valuation date, June 30, 2016, along with the actuarial assumptions and methods used in those valuations follow:

	PSPRS Police
Actuarial value of assets (a)	\$ 249,637
Actuarial accrued liability (b)	201,684
Unfunded actuarial accrued liability (funded excess) (b) - (a)	(47,953)
Funded ratio (a)/(b)	123.8%
Annual covered payroll (c)	\$ 1,145,504
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, 2016
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	20 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	7.50%
Projected salary increases	4% - 8% for PSPRS
includes inflation at	4% for PSPRS

TOWN OF CHINO VALLEY, ARIZONA  
 NOTES TO THE FINANCIAL STATEMENTS  
 June 30, 2017

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, 2017.

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, 2017, the Town's estimated liability is \$279,934 under such agreements.

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

Project	Spent to Date	Remaining Commitment
EDA Old Home Manor	1,313,411	839,406
Community Center Remodel	22,953	50,000
Road 1 East & 3 South	100,392	498,000
Chino Valley Skate Park	29,434	75,000
Total	\$ 1,466,190	\$ 1,462,406



# Required Supplementary Information

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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, 2017

Arizona Retirement System

	Reporting Fiscal Year (Measurement Date)			
	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2008
Town's proportion of the net pension liability	0.032955%	0.032084%	0.030244%	Information
Town's proportionate share of the net pension liability	\$ 5,318,461	\$ 4,997,476	\$ 4,475,083	not available
Town's covered payroll	2,965,972	2,678,714	2,280,897	
Town's proportionate share of the net pension liability as a percentage of its covered payroll	179.32%	186.56%	196.20%	
Plan fiduciary net position as a percentage of the total pension liability	67.06%	68.35%	69.49%	

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, 2017

Chino Valley Police Dept. Public Safety Personnel Retirement System	Reporting Fiscal Year (Measurement Date)			2014 through 2008
	2017 (2016)	2016 (2015)	2015 (2014)	
Total pension liability				
Service cost	\$ 220,166	\$ 208,414	\$ 218,803	Information not available
Interest on the total pension liability	533,567	508,300	443,158	
Changes on benefit terms	361,211	-	63,139	
Differences between expected and actual experience in the measurement of the pension liability	(230,538)	(13,006)	15,592	
Changes of assumptions or other inputs	269,553	-	509,521	
Benefit payments, including refunds of employee contributions	<u>(313,564)</u>	<u>(461,853)</u>	<u>(368,517)</u>	
Net change in total pension liability	840,395	241,855	881,696	
Total pension liability - beginning	<u>6,843,735</u>	<u>6,601,880</u>	<u>5,720,184</u>	
Total pension liability - ending (a)	<u>\$ 7,684,130</u>	<u>\$ 6,843,735</u>	<u>\$ 6,601,880</u>	
Plan fiduciary net position				
Contributions - employer	\$ 269,502	\$ 243,794	\$ 208,691	
Contributions - employee	145,561	143,622	126,689	
Net investment income	24,661	149,207	498,013	
Benefit payments, including refunds of employee contributions	(313,564)	(461,853)	(368,517)	
Administrative expense	(3,949)	(4,019)	(4,043)	
Other changes	<u>(49,347)</u>	<u>3,414</u>	<u>(120,050)</u>	
Net change in plan fiduciary net position	72,864	74,165	340,783	
Plan fiduciary net position - beginning	<u>4,222,746</u>	<u>4,148,581</u>	<u>3,807,798</u>	
Plan fiduciary net position - ending (b)	<u>\$ 4,295,610</u>	<u>\$ 4,222,746</u>	<u>\$ 4,148,581</u>	
Town's net pension liability - ending (a) - (b)	<u>\$ 3,388,520</u>	<u>\$ 2,620,989</u>	<u>\$ 2,453,299</u>	

Chino Valley Police Dept.  
Public Safety Personnel Retirement System

	Reporting Fiscal Year (Measurement Date)			
	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2008
Plan fiduciary net position as a percentage of the total pension liability	55.90%	61.70%	62.84%	Information not available
Covered payroll	\$ 922,414	\$ 1,091,480	\$ 971,919	
Town's net pension liability as a percentage of covered payroll	367.35%	240.13%	252.42%	

TOWN OF CHINO VALLEY, ARIZONA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF TOWN PENSION CONTRIBUTIONS  
 June 30, 2017

Arizona Retirement System	Reporting Fiscal Year				2013 through 2008
	2017	2016	2015	2014	
Statutorily required contribution	\$ 334,794	\$ 321,808	\$ 291,712	\$ 244,056	Information not available
Town's contributions in relation to the statutorily required contribution	334,794	321,808	291,712	244,056	
Town's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	
Town's covered payroll	\$ 3,105,696	\$ 2,965,972	\$ 2,678,714	\$ 2,280,897	
Town's contributions as a percentage of covered payroll	10.78%	10.85%	10.89%	10.70%	

Chino Valley Police Dept. Public Safety Personnel Retirement System	Reporting Fiscal Year				2013 through 2008
	2017	2016	2015	2014	
Actuarially determined contribution	\$ 269,502	\$ 243,794	\$ 208,691	\$ 173,196	Information not available
Town's contributions in relation to the actuarially determined contribution	269,502	243,794	208,691	173,196	
Town's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	
Town's covered payroll	\$ 1,044,986	\$ 922,414	\$ 1,091,480	\$ 971,919	
Town's contributions as a percentage of covered payroll	25.79%	26.43%	19.12%	17.82%	

TOWN OF CHINO VALLEY, ARIZONA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 NOTES TO PENSION PLAN SCHEDULES  
 June 30, 2017

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 2015 actuarial valuation	21 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 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.50%
Projected salary increases	In the 2014 actuarial valuation, projected salary increases were decreased from 4.5% to 8.5% to 4.0% to 8.0% for PSPRS. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0% to 9.0% to 4.5% to 8.5% for PSPRS.
Wage growth	In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0% for PSPRS. 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)

TOWN OF CHINO VALLEY, ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION  
NOTES TO PENSION PLAN SCHEDULES  
June 30, 2017

NOTE 2 FACTORS THAT AFFECT TRENDS

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 PSPRS changed benefit terms to reflect the prior mechanism for funding permanent benefit increases and revised actuarial assumptions to explicitly value future permanent benefit increases. These changes are included in the PSPRS' changes in total pension liability for fiscal year 2015 (measurement date 2014) in the schedule of changes in the Town's net pension liability and related ratios. These changes also increased the PSPRS required contributions beginning in fiscal year 2016 in the schedule of town pension contributions.

TOWN OF CHINO VALLEY, ARIZONA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF AGENT OPEB PLANS' FUNDING PROGRESS  
 June 30, 2017

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						
6/30/2016	\$ 249,637	\$ 201,684	\$ (47,953)	123.78%	\$ 1,145,504	0.00%
6/30/2015	241,300	198,982	(42,318)	121.27%	1,177,679	0.00%
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%

The health insurance subsidy payment reported for FY 2016 was \$8,443

TOWN OF CHINO VALLEY, ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION  
NOTE TO THE SCHEDULE OF AGENT OPEB PLANS' FUNDING PROGRESS  
June 30, 2017

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.

# **Other Supplementary Information**

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**COMBINING NON-MAJOR FUND FINANCIAL STATEMENTS**



# Non-Major Government Funds Financial Statements

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## 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.
- **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.

## Capital Project Fund

- **Police Impact Fee Fund** - This fund accounts for development impact fees earmarked for the development of Town police department facilities.
- **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, 2017

	Special Revenue	
	Highway User Revenue Fund	Street Lighting Improvement District
<b>ASSETS</b>		
Cash and cash equivalents	\$ 612,545	\$ 23
Receivables, net:		
Accounts receivable	-	14
Intergovernmental	83,923	-
	<u>696,468</u>	<u>37</u>
Total assets	<u>\$ 696,468</u>	<u>\$ 37</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 12,689	\$ -
Accrued wages and benefits	8,372	-
Accrued liabilities	3	-
Due to other funds	-	-
Total liabilities	<u>21,064</u>	<u>-</u>
<b>FUND BALANCES</b>		
Restricted		
Highways and streets	675,404	37
Capital improvements	-	-
Unassigned	-	-
	<u>675,404</u>	<u>37</u>
Total fund balances	<u>675,404</u>	<u>37</u>
Total liabilities and fund balances	<u>\$ 696,468</u>	<u>\$ 37</u>

Capital Projects			
Police Impact Fee	Parks and Recreation Impact Fee	Roads Impact Fee	Total
\$ -	\$ 18,412	\$ 504,987	\$ 1,135,967
-	-	-	14
-	-	-	83,923
<u>\$ -</u>	<u>\$ 18,412</u>	<u>\$ 504,987</u>	<u>\$ 1,219,904</u>
\$ -	\$ -	\$ -	\$ 12,689
-	-	-	8,372
-	-	-	3
277	-	-	277
<u>277</u>	<u>-</u>	<u>-</u>	<u>21,341</u>
-	-	-	675,441
-	18,412	504,987	523,399
(277)	-	-	(277)
<u>-</u>	<u>18,412</u>	<u>504,987</u>	<u>1,198,563</u>
<u>\$ 277</u>	<u>\$ 18,412</u>	<u>\$ 504,987</u>	<u>\$ 1,219,904</u>

TOWN OF CHINO VALLEY, ARIZONA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 NON-MAJOR GOVERNMENTAL FUNDS  
 Year Ended June 30, 2017

	Special Revenue	
	Highway User Revenue Fund	Street Lighting Improvement District
REVENUES		
Taxes	\$ -	\$ 3,996
Licenses and permits	3,254	-
Intergovernmental	924,026	-
Interest	2,405	-
Other revenues	2,744	-
Total revenues	<u>932,429</u>	<u>3,996</u>
EXPENDITURES		
Current:		
Public works/streets	476,597	3,534
Capital outlay	29,891	-
Debt service:		
Principal retirement	78,647	-
Interest and fiscal charges	4,475	-
Total expenditures	<u>589,610</u>	<u>3,534</u>
Excess of revenues over (under) expenditures	<u>342,819</u>	<u>462</u>
OTHER FINANCING SOURCES (USES)		
Sale of capital assets	1,381	-
Transfers in	75,000	-
Transfers out	(200,000)	-
Total other financing sources (uses)	<u>(123,619)</u>	<u>-</u>
Net change in fund balances	219,200	462
Fund balances - beginning of year	<u>456,204</u>	<u>(425)</u>
Fund balances - end of year	<u>\$ 675,404</u>	<u>\$ 37</u>

Capital Projects			
Police Impact Fee	Parks and Recreation Impact Fee	Roads Impact Fee	Total
\$ -	\$ -	\$ -	\$ 3,996
-	-	-	3,254
-	-	-	924,026
-	89	2,178	4,672
-	-	-	2,744
-	89	2,178	938,692
-	-	44,832	524,963
504	-	-	30,395
-	-	-	78,647
-	-	-	4,475
504	-	44,832	638,480
(504)	89	(42,654)	300,212
-	-	-	1,381
-	-	-	75,000
-	-	-	(200,000)
-	-	-	(123,619)
(504)	89	(42,654)	176,593
227	18,323	547,641	1,021,970
\$ (277)	\$ 18,412	\$ 504,987	\$ 1,198,563



# **Other Supplementary Information**

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## **BUDGETARY COMPARISON SCHEDULES**

MAJOR GOVERNMENTAL FUND



TOWN OF CHINO VALLEY, ARIZONA  
DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Interest	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
EXPENDITURES				
Debt service:				
Principal retirement	240,000	240,000	-	240,000
Interest and fiscal charges	487,000	487,000	398,680	88,320
Total expenditures	727,000	727,000	398,680	328,320
Excess (deficiency) of revenues over (under) expenditures	(727,000)	(727,000)	(398,680)	328,320
OTHER FINANCING SOURCES (USES)				
Transfers in	727,000	727,000	727,000	-
Total other financing sources and uses	727,000	727,000	727,000	-
Net change in fund balance	-	-	328,320	328,320
Fund balance - beginning of year	128,707	128,707	128,707	-
Fund balance - end of year	\$ 128,707	\$ 128,707	\$ 457,027	\$ 328,320

TOWN OF CHINO VALLEY, ARIZONA  
 CAPITAL IMPROVEMENTS  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL  
 Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget- Positive (Negative)
<b>REVENUES</b>				
City sales tax	\$ 1,372,500	\$ 1,372,500	\$ 1,400,552	\$ 28,052
Intergovernmental revenues	2,110,000	2,110,000	131,737	(1,978,263)
Interest	-	-	193	193
Total revenues	<u>3,482,500</u>	<u>3,482,500</u>	<u>1,532,482</u>	<u>(1,950,018)</u>
<b>EXPENDITURES</b>				
Capital outlay	2,869,000	2,869,000	244,538	2,624,462
Total expenditures	<u>2,869,000</u>	<u>2,869,000</u>	<u>244,538</u>	<u>2,624,462</u>
Excess of revenues over (under) expenditures	<u>613,500</u>	<u>613,500</u>	<u>1,287,944</u>	<u>674,444</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Debt proceeds	9,000,000	9,000,000	-	(9,000,000)
Transfers in	553,000	553,000	-	(553,000)
Transfers out	(1,052,000)	(1,052,000)	(1,052,000)	-
Total other financing sources (uses):	<u>8,501,000</u>	<u>8,501,000</u>	<u>(1,052,000)</u>	<u>(9,553,000)</u>
Net change in fund balance	9,114,500	9,114,500	235,944	(8,878,556)
Fund balance - beginning of year	<u>683,648</u>	<u>683,648</u>	<u>683,648</u>	<u>-</u>
Fund balance - end of year	<u>\$ 9,798,148</u>	<u>\$ 9,798,148</u>	<u>\$ 919,592</u>	<u>\$ (8,878,556)</u>



TOWN OF CHINO VALLEY, ARIZONA  
HIGHWAY USER REVENUE  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget- Positive (Negative)
<b>REVENUES</b>				
Licenses and permits	\$ 1,500	\$ 1,500	\$ 3,254	\$ 1,754
Intergovernmental revenues	853,000	853,000	924,026	71,026
Interest	1,000	1,000	2,405	1,405
Other revenues	-	-	2,744	2,744
<b>Total revenues</b>	<u>855,500</u>	<u>855,500</u>	<u>932,429</u>	<u>76,929</u>
<b>EXPENDITURES</b>				
Public works/streets:				
Salaries	479,209	479,209	226,469	252,740
Employee Benefits	124,091	124,091	114,059	10,032
Utilities	10,500	10,500	10,208	292
Services, supplies and other	193,000	193,000	125,861	67,139
Contingencies	46,000	46,000	-	46,000
Capital outlay	30,000	30,000	29,891	109
Debt service:				
Principal retirement	83,200	83,200	83,122	78
<b>Total expenditures</b>	<u>966,000</u>	<u>966,000</u>	<u>589,610</u>	<u>376,390</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(110,500)</u>	<u>(110,500)</u>	<u>342,819</u>	<u>453,319</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of capital assets	-	-	1,381	1,381
Transfers in	75,000	75,000	75,000	-
Transfers out	-	-	(200,000)	(200,000)
<b>Total other financing sources     and (uses)</b>	<u>75,000</u>	<u>75,000</u>	<u>(123,619)</u>	<u>(198,619)</u>
Net change in fund balance	(35,500)	(35,500)	219,200	254,700
Fund balance - beginning of year	456,204	456,204	456,204	-
Fund balance - end of year	<u>\$ 420,704</u>	<u>\$ 420,704</u>	<u>\$ 675,404</u>	<u>\$ 254,700</u>

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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 4,000	\$ 4,000	\$ 3,996	\$ (4)
Total revenues	<u>4,000</u>	<u>4,000</u>	<u>3,996</u>	<u>(4)</u>
EXPENDITURES				
Current:				
Public works/streets	4,000	4,000	3,534	466
Total expenditures	<u>4,000</u>	<u>4,000</u>	<u>3,534</u>	<u>466</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>462</u>	<u>462</u>
Fund balance - beginning of year	<u>(425)</u>	<u>(425)</u>	<u>(425)</u>	<u>-</u>
Fund balance - end of year	<u>\$ (425)</u>	<u>\$ (425)</u>	<u>\$ 37</u>	<u>\$ 462</u>

TOWN OF CHINO VALLEY, ARIZONA  
POLICE IMPACT FEE CAPITAL PROJECT FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Impact fees	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
EXPENDITURES				
Capital outlay	-	-	504	(504)
Total expenditures	-	-	504	(504)
Excess (deficiency) of revenues over (under) expenditures	-	-	(504)	(504)
Fund balance - beginning of year	227	227	227	-
Fund balance - end of year	<u>\$ 227</u>	<u>\$ 227</u>	<u>\$ (277)</u>	<u>\$ (504)</u>

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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Interest	\$ -	\$ -	\$ 89	\$ 89
Total revenues	-	-	89	89
EXPENDITURES				
Capital outlay	18,283	18,283	-	18,283
Total expenditures	18,283	18,283	-	18,283
Excess (deficiency) of revenues over (under) expenditures	(18,283)	(18,283)	89	18,372
Fund balance - beginning of year	18,323	18,323	18,323	-
Fund balance - end of year	\$ 40	\$ 40	\$ 18,412	\$ 18,372

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, 2017

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget- Positive (Negative)
REVENUES				
Interest	\$ -	\$ -	\$ 2,178	\$ 2,178
Total revenues	-	-	2,178	2,178
EXPENDITURES				
Current:				
Public works/streets	-	-	44,832	(44,832)
Capital outlay	-	-	-	-
Total expenditures	-	-	44,832	(44,832)
Excess (deficiency) of revenues over (under) expenditures	-	-	(42,654)	(42,654)
Other Financing Sources (uses)				
Transfers out	(553,217)	(553,217)	-	553,217
Net change in fund balance	(553,217)	(553,217)	(42,654)	510,563
Fund balance - beginning of year	547,641	547,641	547,641	-
Fund balance - end of year	\$ (5,576)	\$ (5,576)	\$ 504,987	\$ 510,563

# Statistical Section

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<u>Contents</u>	<u>Pages</u>
Financial Trends	106-115
These schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.	
Revenue Capacity	117-125
These schedules contain information to help the reader assess the Town's most significant local revenue sources, property tax and sales and uses taxes.	
Debt Capacity	126-133
These schedules present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future.	
Demographic and Economic Statistics	135-137
These schedules offer economic and demographic indicators to help the reader understand the environment within which the Town's financial activities take place.	
Operating Information	138-145
These schedules contain service and infrastructure data to help the reader understand how the information in the Town's financial report relates to the services the Town provides and the activities it performs.	

**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)**

	2008	2009	2010	2011
<b>Governmental Activities</b>				
Net Investment in Capital Assets:	\$ 4,337,598	\$ 2,028,364	\$ 1,800,961	\$ 1,335,678
Restricted	4,000,072	6,668,333	6,207,107	4,732,926
Unrestricted	1,415,418	1,809,426	2,144,281	2,375,715
Total Governmental Activities Net Position	<u>\$ 9,753,088</u>	<u>\$ 10,506,123</u>	<u>\$ 10,152,349</u>	<u>\$ 8,444,319</u>
<b>Business-type activities</b>				
Net Investment in Capital Assets:	\$ 14,081,988	\$ 16,782,113	\$ 18,486,662	\$ 17,662,445
Restricted	154,608	231,283	379,394	459,182
Unrestricted	(4,992,441)	(2,992,737)	(3,022,133)	(3,193,523)
Total Business-Type Activities Net Position	<u>\$ 9,244,155</u>	<u>\$ 14,020,659</u>	<u>\$ 15,843,923</u>	<u>\$ 14,928,104</u>
<b>Primary government</b>				
Net Investment in Capital Assets:	\$ 18,419,586	\$ 18,810,477	\$ 20,287,623	\$ 18,998,123
Restricted	4,154,680	6,899,616	6,586,501	5,192,108
Unrestricted	(3,577,023)	(1,183,311)	(877,852)	(817,808)
	<u>\$ 18,997,243</u>	<u>\$ 24,526,782</u>	<u>\$ 25,996,272</u>	<u>\$ 23,372,423</u>

	2012	2013	2014	2015	2016	2017
\$	1,484,070	\$ 2,509,616	\$ 3,960,511	\$ 4,343,890	\$ 5,424,332	\$ 6,027,754
	4,280,241	3,556,297	3,331,847	1,821,510	1,327,962	1,946,332
	<u>2,430,076</u>	<u>3,485,697</u>	<u>3,189,272</u>	<u>(900,628)</u>	<u>(394,472)</u>	<u>(331,248)</u>
\$	<u>8,194,387</u>	<u>9,551,610</u>	<u>10,481,630</u>	<u>5,264,772</u>	<u>6,357,822</u>	<u>7,642,838</u>
\$	17,042,946	\$ 16,360,590	\$ 15,658,866	\$ 16,458,815	\$ 16,077,901	\$ 16,106,276
	458,987	524,391	637,600	750,922	482,116	588,280
	<u>(3,399,728)</u>	<u>(3,906,099)</u>	<u>(4,386,202)</u>	<u>(4,991,149)</u>	<u>(4,665,739)</u>	<u>(4,782,941)</u>
\$	<u>14,102,205</u>	<u>12,978,882</u>	<u>11,910,264</u>	<u>12,218,588</u>	<u>11,894,278</u>	<u>11,911,615</u>
\$	18,527,016	\$ 18,870,206	\$ 19,619,377	\$ 20,802,705	\$ 21,502,233	\$ 22,134,030
	4,739,228	4,080,688	3,969,447	2,572,432	1,810,078	2,534,612
	<u>(969,652)</u>	<u>(420,402)</u>	<u>(1,196,930)</u>	<u>(5,891,777)</u>	<u>(5,060,211)</u>	<u>(5,114,189)</u>
\$	<u>22,296,592</u>	<u>22,530,492</u>	<u>22,391,894</u>	<u>17,483,360</u>	<u>18,252,100</u>	<u>19,554,453</u>

**Town of Chino Valley, Arizona**  
**Table 2**  
**Changes in Net Position**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

<b>Expenses</b>	2008	2009	2010	2011
Governmental activities:				
General Government	\$ 4,435,347	\$ 1,678,308	\$ 2,911,780	\$ 3,115,747
Public Safety	2,995,168	2,943,285	2,678,291	2,750,768
Streets	1,006,950	1,051,760	1,778,978	1,531,504
Culture and Recreation	1,936,070	1,345,011	1,254,221	1,390,896
Health and Welfare		260,604	212,537	247,530
Interest on Long-Term Debt	304,451	26,742	20,867	1,266,752
Total Governmental Activities Expenses	<u>10,677,986</u>	<u>7,305,710</u>	<u>8,856,674</u>	<u>10,303,197</u>
Business-Type Activities:				
Water	985,011	757,920	512,123	667,534
Sewer	765,551	1,534,611	2,097,818	2,192,778
Total Business-Type Activities Expenses	<u>1,750,562</u>	<u>2,292,531</u>	<u>2,609,941</u>	<u>2,860,312</u>
Total Primary Government Expenses	<u>\$ 12,428,548</u>	<u>\$ 9,598,241</u>	<u>\$ 11,466,615</u>	<u>\$ 13,163,509</u>
<b>Program Revenues</b>				
Governmental Activities:				
Charges for Services:				
General Government	897,707	351,583	239,945	243,740
Public Safety		212,815	178,412	178,644
Streets			5,570	1,719
Culture and Recreation	123,472	48,825	63,581	80,687
Health and Welfare		24,601	13,161	12,078
Operating Grants and Contributions	1,395,476	1,423,164	1,436,082	1,345,516
Capital Grants and Contributions	115,665	220,362	212,012	606,874
Total Governmental Activities Program Revenues	<u>2,532,320</u>	<u>2,281,350</u>	<u>2,148,763</u>	<u>2,469,258</u>
Business-Type Activities:				
Charges for Services:				
Water	626,118	434,025	390,036	406,119
Sewer	928,646	863,450	1,025,172	1,103,636
Operating Grants and Contributions	150,258	172,473		
Capital Grants and Contributions	1,548,248	4,448,641	2,358,756	135,718
Total Business-Type Activities Program Revenues	<u>3,253,270</u>	<u>5,918,589</u>	<u>3,773,964</u>	<u>1,645,473</u>
Total Primary Government Program Revenues	<u>\$ 5,785,590</u>	<u>\$ 8,199,939</u>	<u>\$ 5,922,727</u>	<u>\$ 4,114,731</u>

	2012	2013	2014	2015	2016	2017
\$	2,867,718	\$ 3,015,601	\$ 3,414,324	\$ 3,457,971	\$ 4,264,993	\$ 4,284,837
	2,467,357	2,472,409	2,414,104	3,015,691	2,978,132	3,628,745
	707,108	721,841	1,301,632	1,440,937	1,186,710	966,821
	1,226,036	1,198,383	1,200,623	1,235,085	1,363,577	1,439,661
	232,990	239,226	256,884	251,416	316,355	330,967
	514,714	508,898	569,141	717,706	239,804	480,172
	<u>8,015,923</u>	<u>8,156,358</u>	<u>9,156,708</u>	<u>10,118,806</u>	<u>10,349,571</u>	<u>11,131,203</u>
	655,975	733,396	809,977	770,833	673,242	666,234
	2,187,974	2,221,272	2,459,646	2,461,103	2,294,822	2,156,401
	<u>2,843,949</u>	<u>2,954,668</u>	<u>3,269,623</u>	<u>3,231,936</u>	<u>2,968,064</u>	<u>2,822,635</u>
\$	<u>10,859,872</u>	<u>11,111,026</u>	<u>12,426,331</u>	<u>13,350,742</u>	<u>13,317,635</u>	<u>13,953,838</u>
	356,527	546,893	270,586	285,887	403,032	613,638
	162,082	169,389	159,271	191,141	224,484	251,450
	1,504	10,985	8,200	15,654	1,589	5,998
	86,244	88,189	87,724	84,730	69,494	87,509
	11,188	9,281	5,647	6,267	17,607	12,066
	1,199,771	1,006,900	1,144,777	1,292,377	1,341,035	2,501,622
	206,591	1,003,311	593,475	805,730	685,895	176,255
	<u>2,023,907</u>	<u>2,834,948</u>	<u>2,269,680</u>	<u>2,681,786</u>	<u>2,743,136</u>	<u>3,648,538</u>
	416,219	439,577	380,619	422,006	526,195	508,363
	1,088,471	1,069,377	1,218,343	1,417,253	1,425,450	1,406,137
	177,612	-	-	-	-	-
	58,538	114,730	367,470	192,425	157,938	570,089
	<u>1,740,840</u>	<u>1,623,684</u>	<u>1,966,432</u>	<u>2,031,684</u>	<u>2,109,583</u>	<u>2,484,589</u>
\$	<u>3,764,747</u>	<u>4,458,632</u>	<u>4,236,112</u>	<u>4,713,470</u>	<u>4,852,719</u>	<u>6,133,127</u>

(Continued)

**Town of Chino Valley, Arizona**  
**Table 2**  
**Changes in Net Position**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

<b>Expenses</b>	2008	2009	2010	2011
Governmental activities:				
General Government	\$ 4,435,347	\$ 1,678,308	\$ 2,911,780	\$ 3,115,747
Public Safety	2,995,168	2,943,285	2,678,291	2,750,768
Streets	1,006,950	1,051,760	1,778,978	1,531,504
Culture and Recreation	1,936,070	1,345,011	1,254,221	1,390,896
Health and Welfare		260,604	212,537	247,530
Interest on Long-Term Debt	304,451	26,742	20,867	1,266,752
Total Governmental Activities Expenses	<u>10,677,986</u>	<u>7,305,710</u>	<u>8,856,674</u>	<u>10,303,197</u>
Business-Type Activities:				
Water	985,011	757,920	512,123	667,534
Sewer	765,551	1,534,611	2,097,818	2,192,778
Total Business-Type Activities Expenses	<u>1,750,562</u>	<u>2,292,531</u>	<u>2,609,941</u>	<u>2,860,312</u>
 Total Primary Government Expenses	 <u>\$ 12,428,548</u>	 <u>\$ 9,598,241</u>	 <u>\$ 11,466,615</u>	 <u>\$ 13,163,509</u>
<b>Program Revenues</b>				
Governmental Activities:				
Charges for Services:				
General Government	\$ 897,707	\$ 351,583	\$ 239,945	\$ 243,740
Public Safety		212,815	178,412	178,644
Streets			5,570	1,719
Culture and Recreation	123,472	48,825	63,581	80,687
Health and Welfare		24,601	13,161	12,078
Operating Grants and Contributions	1,395,476	1,423,164	1,436,082	1,345,516
Capital Grants and Contributions	115,665	220,362	212,012	606,874
Total Governmental Activities Program Revenues	<u>2,532,320</u>	<u>2,281,350</u>	<u>2,148,763</u>	<u>2,469,258</u>
Business-Type Activities:				
Charges for Services:				
Water	626,118	434,025	390,036	406,119
Sewer	928,646	863,450	1,025,172	1,103,636
Operating Grants and Contributions	150,258	172,473		
Capital Grants and Contributions	1,548,248	4,448,641	2,358,756	135,718
Total Business-Type Activities Program Revenues	<u>3,253,270</u>	<u>5,918,589</u>	<u>3,773,964</u>	<u>1,645,473</u>
 Total Primary Government Program Revenues	 <u>\$ 5,785,590</u>	 <u>\$ 8,199,939</u>	 <u>\$ 5,922,727</u>	 <u>\$ 4,114,731</u>

	2012	2013	2014	2015	2016	2017
\$	2,867,718	\$ 3,015,601	\$ 3,414,324	\$ 3,457,971	\$ 4,264,993	\$ 4,284,837
	2,467,357	2,472,409	2,414,104	3,015,691	2,978,132	3,628,745
	707,108	721,841	1,301,632	1,440,937	1,186,710	966,821
	1,226,036	1,198,383	1,200,623	1,235,085	1,363,577	1,439,661
	232,990	239,226	256,884	251,416	316,355	330,967
	514,714	508,898	569,141	717,706	239,804	480,172
	<u>8,015,923</u>	<u>8,156,358</u>	<u>9,156,708</u>	<u>10,118,806</u>	<u>10,349,571</u>	<u>11,131,203</u>
	655,975	733,396	809,977	770,833	673,242	666,234
	2,187,974	2,221,272	2,459,646	2,461,103	2,294,822	2,156,401
	<u>2,843,949</u>	<u>2,954,668</u>	<u>3,269,623</u>	<u>3,231,936</u>	<u>2,968,064</u>	<u>2,822,635</u>
\$	<u>10,859,872</u>	<u>11,111,026</u>	<u>12,426,331</u>	<u>13,350,742</u>	<u>13,317,635</u>	<u>13,953,838</u>
\$	356,527	\$ 546,893	\$ 270,586	\$ 285,887	\$ 403,032	\$ 613,638
	162,082	169,389	159,271	191,141	224,484	251,450
	1,504	10,985	8,200	15,654	1,589	5,998
	86,244	88,189	87,724	84,730	69,494	87,509
	11,188	9,281	5,647	6,267	17,607	12,066
	1,199,771	1,006,900	1,144,777	1,292,377	1,341,035	2,501,622
	206,591	1,003,311	593,475	805,730	685,895	176,255
	<u>2,023,907</u>	<u>2,834,948</u>	<u>2,269,680</u>	<u>2,681,786</u>	<u>2,743,136</u>	<u>3,648,538</u>
	416,219	439,577	380,619	422,006	526,195	508,363
	1,088,471	1,069,377	1,218,343	1,417,253	1,425,450	1,406,137
	177,612	-	-	-	-	-
	58,538	114,730	367,470	192,425	157,938	570,089
	<u>1,740,840</u>	<u>1,623,684</u>	<u>1,966,432</u>	<u>2,031,684</u>	<u>2,109,583</u>	<u>2,484,589</u>
\$	<u>3,764,747</u>	<u>4,458,632</u>	<u>4,236,112</u>	<u>4,713,470</u>	<u>4,852,719</u>	<u>6,133,127</u>

(Continued)

**Town of Chino Valley, Arizona**  
**Table 3**  
**Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

	2008	2009	2010	2011	2012
<b>General Fund</b>					
Nonspendable	\$ -	\$ -	\$ -	\$ 7,732	\$ 2,208
Restricted	2,345	2,112	11,240	-	109,383
Assigned	-	-	-	-	-
Unassigned	1,558,352	2,218,190	2,578,941	2,715,237	2,716,403
<b>Total General Fund</b>	<b>\$ 1,560,697</b>	<b>\$ 2,220,302</b>	<b>\$ 2,590,181</b>	<b>\$ 2,722,969</b>	<b>\$ 2,827,994</b>
<b>All other Governmental Funds</b>					
Restricted:					
Highways and Streets	\$ 1,387,080	\$ 997,827	\$ 1,486,838	\$ 638,866	\$ 747,681
Development Impact Fees	4,866,749	5,637,347	4,639,329	3,075,999	2,895,908
Debt Service				374,013	499,053
Public Safety					70,327
Grants				118,198	
Other Purposes	90	31,047	69,700		
Assigned for:					
Capital Improvements				518,462	304,452
Unassigned:				(344)	
<b>Total all other Governmental Funds</b>	<b>\$ 6,253,919</b>	<b>\$ 6,666,221</b>	<b>\$ 6,195,867</b>	<b>\$ 4,725,194</b>	<b>\$ 4,517,421</b>

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, committed, or assigned as applicable.

\$ 7,814,616	\$ 8,886,523	\$ 8,786,048	\$ 7,448,163	\$ 7,345,415
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2013	2014	2015	2016	2017
\$ 7,039	\$ 5,078	\$ 4,060	\$ 43,818	\$ 1,302,226
212,680	217,775	301,854	322,353	114,330
-	-	-	-	192,946
3,092,751	3,830,737	4,349,040	5,064,810	4,575,991
<u>\$ 3,312,470</u>	<u>\$ 4,053,590</u>	<u>\$ 4,654,954</u>	<u>\$ 5,430,981</u>	<u>\$ 6,185,493</u>
\$ 923,837	\$ 680,219	\$ 463,774	\$ 456,204	\$ 760,071
2,138,187	1,475,498	606,592	566,191	523,122
285,557	292,213	614,924	128,707	457,027
136,504	51,085	24,507	46,099	59,428
	2,464	7,673	40,385	32,354
129,103	488,624	589,530	683,648	919,592
		293	109	(631,902)
<u>\$ 3,613,188</u>	<u>\$ 2,990,103</u>	<u>\$ 2,307,293</u>	<u>\$ 1,921,343</u>	<u>\$ 2,119,692</u>
\$ 6,925,658	\$ 7,043,693	\$ 6,962,247	\$ 7,352,324	\$ 8,305,185

**Town of Chino Valley, Arizona**  
**Table 4**  
**Changes in Fund Balance of Governmental Funds**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

	2008	2009	2010	2011
<b>Revenues</b>				
Taxes	\$ 5,016,940	\$ 4,586,059	\$ 3,722,276	\$ 3,525,394
Licenses and Permits	480,940	223,658	174,077	177,433
Intergovernmental	5,052,787	4,872,059	4,750,169	4,664,352
Charges for Services	226,989	137,874	107,176	123,242
Fines and Forfeitures	300,575	272,281	215,818	211,102
Impact Fees	369,126	126,014	22,522	
Interest	346,008	74,574	9,992	72,706
Other Revenues	114,603	194,010	44,592	54,608
<b>Total Revenues</b>	<b>\$ 11,907,968</b>	<b>\$ 10,486,529</b>	<b>\$ 9,046,622</b>	<b>\$ 8,828,837</b>
<b>Expenditures</b>				
Current:				
General Government	\$ 3,964,809	\$ 3,149,155	\$ 2,781,391	\$ 3,229,263
Public Safety	2,814,527	2,767,352	2,570,408	2,621,419
Public Works	863,704	685,248	478,017	1,350,212
Culuture and Recreation	1,523,187	976,041	900,389	1,020,998
Health and Welfare		226,030	177,330	213,973
Capital Outlay	1,034,220	394,839	1,551,991	1,223,077
Debt service				
Principal	453,808			7,280,000
Interest	312,418	163,522	143,849	257,403
Bond Issuance Cost				
<b>Total Expenditures</b>	<b>10,966,673</b>	<b>8,362,187</b>	<b>8,603,375</b>	<b>17,196,345</b>
Revenues over (under) Expenditures	941,295	2,124,342	443,247	(8,367,508)
<b>Other Finance Sources (Uses)</b>				
Capital lease agreeemnt				
Sale of Assets		57,896	77,140	11,293
Bond Proceeds				7,280,000
Payment to refunded debt escrow agent	(2,999,018)			
Transfers in	4,683,257	364,768	429,833	1,666,199
Transfers out	(4,779,968)	(1,475,099)	(1,050,695)	(1,927,869)
<b>Total other Finance Sources (uses)</b>	<b>(3,095,729)</b>	<b>(1,052,435)</b>	<b>(543,722)</b>	<b>7,029,623</b>
<b>Net Change in Fund Balances</b>	<b>\$ (2,154,434)</b>	<b>\$ 1,071,907</b>	<b>\$ (100,475)</b>	<b>\$ (1,337,885)</b>
Debt Service as a Percentage of Noncapital Expenditures	7.24%	2.48%	1.78%	46.93%

2012	2013	2014	2015	2016	2017
\$ 3,650,366	\$ 4,019,091	\$ 5,285,931	\$ 5,207,787	\$ 5,595,443	\$ 5,725,421
281,820	178,614	250,285	276,828	352,447	561,146
3,541,795	4,443,541	4,252,919	4,676,970	4,906,700	5,185,879
150,323	438,798	93,961	94,270	122,960	115,633
183,666	192,564	176,986	208,163	247,977	296,591
11,132	29,764	194,873	2,712	-	-
11,824	14,498	2,775	6,590	8,486	22,124
169,286	106,335	44,879	38,413	54,354	37,343
<u>\$ 8,000,212</u>	<u>\$ 9,423,205</u>	<u>\$ 10,302,609</u>	<u>\$ 10,511,733</u>	<u>\$ 11,288,367</u>	<u>\$ 11,944,137</u>
\$ 2,774,513	\$ 2,831,438	\$ 3,309,301	\$ 3,339,953	\$ 3,913,936	\$ 3,900,208
2,459,829	2,402,089	2,565,994	2,814,077	2,727,591	2,935,355
559,413	587,631	1,037,923	1,182,221	731,692	524,963
959,040	827,282	824,111	871,535	964,652	988,361
211,961	227,476	249,419	378,921	402,424	316,045
306,271	1,981,052	1,408,246	1,931,282	1,069,811	1,727,192
153,979	37,028	65,000	75,000	3,960,916	127,603
464,651	586,858	509,000	341,721	504,370	398,680
				65,714	-
<u>7,889,657</u>	<u>9,480,854</u>	<u>9,968,994</u>	<u>10,934,710</u>	<u>14,341,106</u>	<u>10,918,407</u>
110,555	(57,649)	333,615	(422,977)	(3,052,739)	1,025,730
30,713	879	4,420	607,448	-	-
			14,783	6,560	2,131
				3,346,000	-
1,321,598	1,023,203	1,394,732	1,684,779	1,095,167	1,252,000
(1,565,614)	(1,386,191)	(1,614,732)	(1,965,479)	(1,245,167)	(1,327,000)
<u>(213,303)</u>	<u>(362,109)</u>	<u>(215,580)</u>	<u>341,531</u>	<u>3,202,560</u>	<u>(72,869)</u>
<u>\$ (102,748)</u>	<u>\$ (419,758)</u>	<u>\$ 118,035</u>	<u>\$ (81,446)</u>	<u>\$ 149,821</u>	<u>\$ 952,861</u>
8.47%	8.38%	6.84%	4.46%	34.99%	5.67%



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

Fiscal Year	Limited Property Value -Primary		Full Cash Value-Secondary		Ratio of Net Assessed to Total Values
	Net Assessed Value	Total Value	Net Assessed Value	Total Value	
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%
2015-2016	68,900,296	627,209,860	80,357,855	738,888,013	11%
2016-2017	71,703,530	652,618,898	83,930,432	773,511,955	11%

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	2007-2008	2008-2009	2009-2010	2010-2011
Town of Chino Valley	-	-	-	-
Yavapai County	1.5292	1.3683	1.2842	1.3524
School Equalization			0.3306	0.3564
Yavapai College	1.3397	1.1989	1.1250	1.2046
Chino Valley School District	3.7429	3.1492	3.3696	2.7647
<b>Total Primary</b>	<b><u>6.6118</u></b>	<b><u>5.7164</u></b>	<b><u>6.1094</u></b>	<b><u>5.6781</u></b>

Source: Yavapai County Treasurer

<u>2011-2012</u>	<u>2012-2013</u>	<u>2013-2014</u>	<u>2014-2015</u>	<u>2015-2016</u>	<u>2016-2017</u>
-	-	-	-	-	-
1.4305	1.6426	1.9308	1.9442	1.9317	1.9027
0.4259	0.4717	0.5123	0.5089	0.5054	0.5010
1.4274	1.6725	1.8241	1.8606	1.8721	1.8439
3.7791	4.2320	4.9640	5.0146	4.4236	4.6005
<u>7.0629</u>	<u>8.0188</u>	<u>9.2312</u>	<u>9.3283</u>	<u>8.7328</u>	<u>8.8481</u>

**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	2007-2008	2008-2009	2009-2010	2010-2011
Town of Chino Valley	-	-	-	-
Fire District Assistance	0.0829	0.0722	0.0740	0.0813
Flood Control District	0.1723	0.1723	0.1723	0.1994
Library District	0.1016	0.1020	0.1016	0.1188
Yavapai College	0.1828	0.1405	0.1367	0.1563
Chino Valley School District	0.7133	0.5245	0.5486	0.5747
Chino Valley Fire District	2.6745	2.1280	2.1400	2.3250
Total Secondary	<u>3.9274</u>	<u>3.1395</u>	<u>3.1732</u>	<u>3.4555</u>

Source: Yavapai County Treasurer

<u>2011-2012</u>	<u>2012-2013</u>	<u>2013-2014</u>	<u>2014-2015</u>	<u>2015-2016</u>	<u>2016-2017</u>
-	-	-	-	-	-
0.0928	0.1000	0.1000	0.1000	0.1000	0.1000
0.2483	0.2963	0.2162	0.2116	0.1976	0.2346
0.1456	0.1660	0.1491	0.1500	0.1907	0.1815
0.1901	0.2150	0.2227	0.2231	0.2122	0.1815
0.6739	0.7845	0.0500	0.0500	0.0500	0.0500
2.8220	3.4531	3.5799	3.5799	3.6175	3.6175
<u>4.1727</u>	<u>5.0149</u>	<u>4.3179</u>	<u>4.3146</u>	<u>4.3680</u>	<u>4.3651</u>

**Town of Chino Valley, Arizona**  
**Table 8**  
**Sales Tax Revenues by Industry**  
**Fiscal Years 2017, 2016, 2015, 2014, 2013, 2012, and 2011**

	Fiscal Year 2010-2011		Fiscal Year 2011-2012		Fiscal Year 2012-2013	
	Tax Paid	Percentage of Total	Tax Paid	Percentage of Total	Tax Paid	Percentage of Total
Construction	\$ 165,563	4.90%	\$ 187,286	5.34%	\$ 428,058	11.03%
Manufacturing	67,278	1.99%	53,107	1.51%	67,869	1.75%
Transportation/ Communication/Utilities	605,846	17.93%	634,512	18.09%	639,694	16.48%
Wholesale Trade	118,221	3.50%	140,008	3.99%	135,349	3.49%
Retail Trade	1,670,215	49.42%	1,758,983	50.14%	1,787,495	46.04%
Restaurants/Bars	286,598	8.48%	291,732	8.32%	298,752	7.70%
Insurance/Real Estate	248,979	7.37%	262,331	7.48%	273,188	7.04%
Services	68,179	2.02%	88,126	2.51%	101,702	2.62%
All Other	148,645	4.40%	91,809	2.62%	150,121	3.87%
<b>Total</b>	<b>\$3,379,524</b>	<b>100.00%</b>	<b>\$3,507,893</b>	<b>100.00%</b>	<b>\$3,882,227</b>	<b>100.00%</b>

Source: Arizona Department of Revenue

Note:

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

Fiscal Year 2013-2014		Fiscal Year 2014-15		Fiscal Year 2015-16		Fiscal Year 2016-17	
Tax Paid	Percentage of Total	Tax Paid	Percentage of Total	Tax Paid	Percentage of Total	Tax Paid	Percentage of Total
\$ 363,845	7.38%	\$ 345,449	6.80%	\$ 354,129	6.97%	\$ 495,600	9.76%
67,904	1.38%	74,890	1.47%	78,910	1.55%	30,895	0.61%
817,254	16.59%	764,228	15.05%	798,024	15.71%	694,022	13.67%
169,475	3.44%	167,135	3.29%	129,501	2.55%	-	0.00%
2,457,281	49.87%	2,606,219	51.32%	2,735,267	53.86%	3,171,921	62.46%
415,200	8.43%	477,722	9.41%	501,100	9.87%	573,858	11.30%
332,480	6.75%	335,282	6.60%	348,577	6.86%	378,261	7.45%
128,676	2.61%	125,529	2.47%	130,589	2.57%	-	0.00%
174,950	3.55%	182,181	3.59%	282,941	5.57%	259,153	5.10%
<u>\$4,927,064</u>	<u>100.00%</u>	<u>\$5,078,635</u>	<u>100.00%</u>	<u>\$5,359,038</u>	<u>105.52%</u>	<u>\$5,603,710</u>	<u>110.34%</u>

**Town of Chino Valley, Arizona**  
**Table 9**  
**Direct and Overlapping Sales Tax Rates**  
**As of June 30, 2017**

	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
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	5,018,421	125,124	988,552	1,309,465	629,553	8,071,115
2015-2016	5,403,949	136,036	1,022,547	1,302,365	680,388	8,545,285
2016-2017	5,603,710	117,715	1,020,252	1,362,532	712,352	8,816,560

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**

Fiscal Year	Governmental Activities			Business-Type Activities		
	Capital Leases	Revenue Bonds	Loans Payable	Capital Leases	Notes Payable	Loans Payable
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
2015-2016	401,035	10,492,581	-	71,280		11,034,561
2016-2017	280,302	10,501,189	-	49,820		11,400,220

(a) See page 86 for population data.

\* Means no data available during that fiscal year.

Business-Type Activities					
Related Party	Revenue	Developer	Total	Percentage	Per
Capital	Bonds	Agreement	Primary	of Personal	Capita (a)
Leases			Government	Income	
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	*	2,245
	565,951	420,733	22,986,141	*	2,064
	520,851	420,733	23,173,115	*	2,081



**Town of Chino Valley, Arizona**  
**Table 12**  
**Computation of Direct and Overlapping Debt**  
**June 30, 2017**

Jurisdiction	2016-2017 Secondary Assessed Valuation	Net Debt Outstanding	Percentage Applicable to the Town of Chino Valley	Amount Applicable to the Town of Chino Valley	2015-2016 Combined Tax Rate Per \$100 Assessed
State of Arizona	\$ 71,673,967,461	\$ -	0.12%	\$ -	None
Yavapai County	\$ 2,881,978,618	\$ -	2.91%	\$ -	0.0000%
Chino Valley School District	\$ 214,029,280	\$ -	100.00%	\$ -	0.0500%
Chino Valley Fire District	\$ 134,890,490	\$ 2,070,000	62.22%	\$ 1,287,978	3.5700%
Yavapai County Library District	\$ 2,881,978,618	\$ -	2.91%	\$ -	0.1491%
Yavapai County Community College	\$ 2,881,978,618	\$ 37,890,000	2.91%	\$ 1,103,452	0.2227%
Total Overlapping Debt		<u>\$ 39,960,000</u>		<u>\$ 2,391,430</u>	<u>3.9918%</u>
<b>Town of Chino Valley</b>	<b>\$ 83,930,432</b>	<b>\$ 11,227,192</b>	<b>100.00%</b>	<b>\$ 11,227,192</b>	<b>0.0000%</b>
Total Direct Debt		<u>\$ 11,227,192</u>		<u>\$ 11,227,192</u>	
Total Overlapping and Direct Debt		<u><b>\$ 51,187,192</b></u>		<u><b>\$ 13,618,622</b></u>	<u><b>3.9918%</b></u>

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

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, the 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**

	2007-2008	2008-2009	2009-2010	2010-2011
Secondary Assessed Value	\$ 116,815,366	\$ 122,276,572	\$ 105,453,785	\$ 90,631,086
<b>20% Limitation (a)</b>				
Debt Limit Equal to 20% of Assessed Valuation	\$ 23,363,073	\$ 24,455,314	\$ 21,090,757	\$ 18,126,217
Total Debt Applicable to 20% Limit	\$ -	\$ -	\$ -	\$ -
Legal 20% Debt Margin (Available Borrowing Capacity)	<u>\$ 23,363,073</u>	<u>\$ 24,455,314</u>	<u>\$ 21,090,757</u>	<u>\$ 18,126,217</u>
Total Net Debt Applicable to the 20% Limit as a Percentage of 20% Debt Limit	0.00%	0.00%	0.00%	0.00%
<b>6% Limitation (b)</b>				
Debt Limit Equal to 6% of Assessed Valuation	\$ 7,008,922	\$ 7,336,594	\$ 6,327,227	\$ 5,437,865
Total Debt Applicable to 6% Limit	\$ -	\$ -	\$ -	\$ -
Legal 6% Debt Margin (Available Borrowing Capacity)	<u>\$ 7,008,922</u>	<u>\$ 7,336,594</u>	<u>\$ 6,327,227</u>	<u>\$ 5,437,865</u>
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.

2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
\$ 74,322,200	\$ 67,121,326	\$ 66,893,394	\$ 78,892,362	\$ 80,357,855	\$ 83,930,432
\$ 14,864,440	\$ 13,424,265	\$ 13,378,679	\$ 15,778,472	\$ 16,071,571	\$ 16,786,086
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>\$ 14,864,440</u>	<u>\$ 13,424,265</u>	<u>\$ 13,378,679</u>	<u>\$ 15,778,472</u>	<u>\$ 16,071,571</u>	<u>\$ 16,786,086</u>
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
\$ 4,459,332	\$ 4,027,280	\$ 4,013,604	\$ 4,733,542	\$ 4,821,471	\$ 5,035,826
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>\$ 4,459,332</u>	<u>\$ 4,027,280</u>	<u>\$ 4,013,604</u>	<u>\$ 4,733,542</u>	<u>\$ 4,821,471</u>	<u>\$ 5,035,826</u>
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**

<b>MPC Revenue Bonds 2010 Series</b>				
<b>Fiscal Year Ended June 30,</b>	<b>Excise Tax Collection</b>	<b>Debt Service</b>		<b>Coverage</b>
		<b>Principal</b>	<b>Interest</b>	
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	8,071,115		331,638	24.34
2016	8,545,285		331,638	25.77
2017	8,735,186		331,638	26.34

<b>Revenue Bonds 2016</b>				
<b>Fiscal Year Ended June 30,</b>	<b>Excise Tax Collection</b>	<b>Debt Service</b>		<b>Coverage</b>
		<b>Principal</b>	<b>Interest</b>	
2016	8,545,285			-
2017	8,735,186	-	64,695	135.02

<b>Water Revenue Bonds Series 2010</b>				
<b>Fiscal Year Ended June 30,</b>	<b>Excise Tax Collection</b>	<b>Debt Service</b>		<b>Coverage</b>
		<b>Principal</b>	<b>Interest</b>	
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	8,071,115	45,000	25,883	113.87
2016	8,545,285	45,000	24,713	122.58
2017	8,735,186	45,000	23,362	127.78

<b>WIFA 2007</b>				
<b>Fiscal Year Ended June 30,</b>	<b>Excise Tax Collection</b>	<b>Debt Service</b>		<b>Coverage</b>
		<b>Principal</b>	<b>Interest</b>	
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	8,071,115	75,796	30,070	76.24
2016	8,545,285	77,886	27,922	80.76
2017	8,735,186	80,034	25,714	82.60

<b>WIFA 2008</b>				
<b>Fiscal Year Ended June 30,</b>	<b>Excise Tax Collection</b>	<b>Debt Service</b>		<b>Coverage</b>
		<b>Principal</b>	<b>Interest</b>	
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	8,071,115	235,510	105,192	23.69
2016	8,545,285	242,138	98,378	25.10
2017	8,735,186	248,952	91,372	25.67

<b>WIFA 2014</b>				
<b>Fiscal Year Ended June 30,</b>	<b>Excise Tax Collection</b>	<b>Debt Service</b>		<b>Coverage</b>
		<b>Principal</b>	<b>Interest</b>	
2015	8,071,115		29,950	269.49
2016	8,545,285	121,854	57,121	47.75
2017	8,735,186	124,303	54,622	48.82

<b>WIFA 2016</b>				
<b>Fiscal Year Ended June 30,</b>	<b>Excise Tax Collection</b>	<b>Debt Service</b>		<b>Coverage</b>
		<b>Principal</b>	<b>Interest</b>	
2016	8,545,285	-	60,462	141.33
2017	8,735,186	124,377	96,326	39.58



**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
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%
2015-2016	11,137	222,255	7,112,160	32	2991	8.6%
2016-2017	11,250	225,562	7,900,004	35	2988	4.2%

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 Five Years Ago**

Employer	2017		2016		2015	
	Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment
Chino Valley Unified School	247	2.29%	249	2.31%	249	2.31%
Safeway	134	1.24%	135	1.25%	139	1.29%
Town of Chino Valley	92	0.85%	96	0.89%	95	0.88%
Bar S Machine	45	0.42%	45	0.42%	45	0.42%
Chino Medical Center	30	0.28%	43	0.40%	43	0.40%
Bonn Fire Grill	45	0.42%	45	0.42%	43	0.40%
Performance Accessories	0	0.00%	38	0.35%	38	0.35%
Arizona Highway Safety Specialists	29	0.27%	29	0.27%	34	0.32%
Color Spot	32	0.30%	31	0.29%	31	0.29%
Circle L Animal Hospital	24	0.22%	22	0.20%	21	0.19%
	678	6.29%	733	6.80%	738	6.84%

Sources: Central Arizona Regional Economic Development Foundation; various employers

2014		2013		2012	
Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment
250	2.32%	400	3.71%	440	4.07%
140	1.30%	140	1.30%	140	1.30%
89	0.83%	91	0.84%	85	0.79%
45	0.42%	45	0.42%	44	0.41%
43	0.40%	42	0.39%	42	0.39%
40	0.37%	35	0.32%	35	0.32%
36	0.33%	35	0.32%	40	0.37%
35	0.32%	29	0.27%	35	0.32%
30	0.28%	45	0.42%	46	0.43%
21	0.19%	20	0.19%	20	0.19%
729	6.76%	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**

Fiscal Year	Function/Program			
	General Government	Public Safety	Culture & Recreation	Health and Welfare
2007-2008	38	40	11	4
2008-2009	34	37	11	3
2009-2010	33	37	12	3
2010-2011	27	33	9	3
2011-2012	26	30	9	3
2012-2013	30	30	9	3
2013-2014	29	30.5	8	3.5
2014-2015	36	30.5	0.5	3.5
2015-2016	40	30.5	1	3.5
2016-2017	39	31	1.5	3.5

Source: Town of Chino Valley Budget

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

Function/Program			
<u>Public Works/Streets</u>	<u>Public Works/Water</u>	<u>Public Works/Sewer</u>	<u>Total</u>
7	5	0	105
6	4	2	97
6	5	3	99
9	3	4	88
9	4	4	85
11	4	4	91
11	3.5	3.5	89
11	3.5	3.5	89
10	2.5	3.5	91
11	2.5	3.5	92

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

<b>Function/Program</b>	<b>Fiscal Year</b>			
	<b>2007-2008</b>	<b>2008-2009</b>	<b>2009-2010</b>	<b>2010-2011</b>
<b>General Government</b>				
Registered Voters	*	5,736	*	5,766
Votes cast last primary election	*	2,561	*	2,256
<b>Police</b>				
Number of police personnel and officers	40	37	37	33
Arrests	642	567	512	388
Citations	1,910	1,418	1,872	1,550
Traffic Stops	3,916	4,364	5,466	5,298
Security Checks	*	*	1,289	2,004
Officer Reports	5,500	6,350	8,765	8,032
Calls for Service	11,801	11,855	14,514	13,091
<b>Animal Control</b>				
Animal Related Calls	*	1,060	938	1,099
Impounded Dogs	*	398	236	330
Adopted Dogs	*	61	*	*
Dog Licenses Sold	*	*	2,137	1,996
<b>Highways &amp; Streets</b>				
Miles of Paved Roads Maintained	*	*	*	157
Street resurfacing (miles)	*	*	*	0
Street sweeping (miles)	*	*	*	0
Potholes repaired (cold mix tons)	*	*	186	144
<b>Water</b>				
Number of wells	19	19	19	19
Total well production (acre feet)	303	254	245	233
Number of metered accounts	607	607	607	607
New Residential Connections	123	0	0	0
Number of Water Tanks	2	2	2	2
Storage Capacity (mg)	1.165	1.165	1.165	1.165
Miles of Water Mains	20.5	20.5	20.5	20.5
Line Breaks	0	3	3	0
Average Daily Consumption (thousand of gallons)	270	227	219	208
Number of Fire Hydrant	103	103	103	103
<b>Wastewater</b>				
Number of active accounts	1,080	1,640	1,669	1,672
Average daily sewage treatment gallons	0	243,000	299,000	295,000
Plant Capacity per day gallons	250,000	500,000	500,000	500,000
Gallons Recharged in Aquifer (acre feet)		228	235	225

<b>Fiscal Year</b>					
<b><u>2011-2012</u></b>	<b><u>2012-2013</u></b>	<b><u>2013-2014</u></b>	<b><u>2014-2015</u></b>	<b><u>2015-2016</u></b>	<b><u>2016-2017</u></b>
*	6,027	*	5,914	*	6,220
*	2,092	*	3,587	*	2,630
30	30	30	30	30	31
358	262	440	443	445	444
1,539	756	934	808	1,234	1,204
5,715	3,503	3,067	2,801	3,166	3,121
1,906	4,717	2,425	2,602	1,979	1,469
10,662	6,643	7,700	6,485	6,257	5,601
15,350	10,367	11,870	10,988	11,212	10,680
785	945	829	878	1,005	941
309	297	315	301	340	350
109	102	121	136	137	139
1,666	1,700	1,807	1,971	1,912	1,986
157	157	163	153	153	153
0	4	0	3	0	0
13	13	13	13	13	13
149	214	168	148	157	157
19	19	19	19	19	19
240	255	250	250	250	250
607	607	626	633	658	
0	0	19	7	25	25
2	2	2	2	2	2
1,165	1,165	1,165	1,165	1,165	1,165
20.5	20.5	21.0	21.0	21.0	21.0
1	0	0	0	0	0
213	228	223	296	312	312
103	103	103	103	103	103
1,672	1,685	1,689	1,735	1,744	
321,000	324,000	325,000	325,000	325,000	325,000
500,000	500,000	500,000	500,000	500,000	500,000
230	242	244	246	251	251

(Continued)

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

<b>Function/Program</b>	<b>Fiscal Year</b>			
	<b>2007-2008</b>	<b>2008-2009</b>	<b>2009-2010</b>	<b>2010-2011</b>
<b>Facilities Maintenance</b>				
Number of Buildings Maintained	19	19	19	19
Square Footage of Buildings Maintained	55,704	55,704	55,704	55,704
Number of HVAC Unites Maintained	42	42	42	42
<b>Parks and Recreation</b>				
Park Areas	*	*	114	114
Total Miles of Trails	*	*	3	3
Parkland Acreage	*	*	2	2
Total Open Space Acres	*	*	89	89
Total Acres of Turf	*	*	20	20
Gallons of Water User per Acre of Turf	*	*	*	*
Playgrounds	2	2	2	2
Aquatic Center Admissions	*	*	*	*
<b>Economic Development</b>				
Building Permits-Commercial	20	17	18	11
Building Permits-Residential	423	163	194	167
Housing Rehabilitations	*	*	*	*
Code Enforcement Cases	261	293	216	256
Planning Cases	2	11	8	6
<b>Culture - Library</b>				
Items in Collections	55,011	48,882	47,957	52,334
Total Items Circulated	131,697	131,446	129,982	90,700
Reference Transactions	4,431	4,008	3,209	5,863
Computer Uses	15,000	15,000	15,000	15,600
Inter Library Loan	10,591	10,916	11,362	18,696
Total Library Attendance	75,971	72,302	59,082	68,791
<b>Culture - Senior Center</b>				
Total Meals Served in House	*	11,030	10,267	9,205
Total Meals on Wheels	*	12,266	12,085	13,077

Sources: Various City Departments

Note: Voter registration is taken every two years.

\* Not available

<b>Fiscal Year</b>					
<b><u>2011-2012</u></b>	<b><u>2012-2013</u></b>	<b><u>2013-2014</u></b>	<b><u>2014-2015</u></b>	<b><u>2015-2016</u></b>	<b><u>2016-2017</u></b>
20	20	20	20	20	20
55,704	55,704	55,704	55,704	55,704	55,704
44	44	44	44	44	44
114	114	114	114	114	114
3	3	3	3	3	3
2	9	9	9	9	9
89	82	82	82	82	82
20	20	20	20	20	20
1,041,365	931,758	700,974	793,635	805,784	805,784
2	2	2	2	2	2
12,324	11,189	13,442	12,074	10,771	10,771
19	27	13	65	53	56
165	147	220	225	265	319
*	8	0	3	0	0
183	208	176	223	186	197
11	17	14	16	16	15
50,581	43,055	44,249	53,523	49,072	57,009
110,926	108,515	114,171	112,843	113,231	110,202
5,753	4,999	4,551	5,891	5,008	4,752
15,600	15,603	15,307	16,702	15,102	15,888
8,904	18,061	25,696	23,238	29,504	23,490
68,934	60,273	60,380	62,346	60,533	66,131
8,565	8,493	10,211	11,606	13,264	13,744
8,091	9,101	8,264	10,582	12,065	10,428

(Concluded)

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

<b>Function/Program</b>	<b>2007-2008</b>	<b>2008-2009</b>	<b>2009-2010</b>	<b>2010-2011</b>
Public Safety				
Stations	1	1	1	1
Patrol units	17	20	19	21
Highways and Streets				
Streets (miles)	*	*	*	157
Water				
Water mains (miles)	19.5	19.5	19.5	19.5
Fire hydrants	103	103	103	103
Sewer				
Sanitary Sewer (miles)	23	23	23	23
Maximum daily treatment capacity (thousands of gallons)	250,000	500,000	500,000	500,000
Recreation and Aquatics				
Parks Acreage	47	47	47	47
Number of Parks	5	5	5	5
Swimming Pools	1	1	1	1
Ball Fields	6	6	6	6

\* Not available

Sources: Various City Departments

<u>2011-2012</u>	<u>2012-2013</u>	<u>2013-2014</u>	<u>2014-2015</u>	<u>2015-2016</u>	<u>2016-2017</u>
1	1	1	1	1	1
19	19	19	19	19	19
157	157	157	157	157	157
19.5	19.5	19.5	19.5	19.5	19.5
103	103	103	103	103	103
23	23	23	23	24	25
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



# Compliance Section

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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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Chino Valley, Arizona, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Chino Valley, Arizona's basic financial statements, and have issued our report thereon dated November 13, 2017.

**Internal Control over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town of Chino Valley, Arizona's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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  
November 13, 2017



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM  
GUIDANCE

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

**Report on Compliance for Each Major Federal Program**

We have audited the Town of Chino Valley, Arizona's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town of Chino Valley, Arizona's major federal programs for the year ended June 30, 2017. Town of Chino Valley, Arizona's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Town of Chino Valley, Arizona's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Chino Valley, Arizona's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town of Chino Valley, Arizona's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the Town of Chino Valley, Arizona, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

## Report on Internal Control over Compliance

Management of the Town of Chino Valley, Arizona, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Chino Valley, Arizona's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Chino Valley, Arizona's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Henry & Horne LLP*

Casa Grande, Arizona  
November 13, 2017

TOWN OF CHINO VALLEY  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 Year Ended June 30, 2017

Grantor/Program	Federal CFDA Number	Pass- Through Entity Identifying Number	Total Expenditures
U.S. Department of Commerce			
Investments for Public Works and Economic Development Facilities	11.300	07-70-5413	\$ 1,001,632 *
U.S. Environmental Protection Agency			
Pass-through programs from:			
Water Infrastructure Finance Authority of Arizona			
2014 Capitalization Grants for Clean Water State Revolving Funds	66.458	910167-16	82,183
2015 Capitalization Grants for Clean Water State Revolving Funds	66.458	910167-16	805,649
2016 Capitalization Grants for Clean Water State Revolving Funds	66.458	910167-16	217,165
			<u>1,104,997</u>
Total Expenditures of Federal Awards			<u>\$ 2,106,629</u>

\*denotes major program

TOWN OF CHINO VALLEY, ARIZONA  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2017

NOTE 1 BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Town of Chino Valley (Town) under programs of the federal government for the year ended June 30, 2017. The information in this schedule is presented in accordance with requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town.

NOTE 2 CATALOG OF FEDERAL DOMESTIC ASSISTANCE (CFDA) NUMBERS

The program titles and CFDA numbers were obtained from the Catalog of Federal Domestic Assistance.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- B) The Town of Chino Valley has elected to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.

TOWN OF CHINO VALLEY, ARIZONA  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 Year Ended June 30, 2017

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?     yes   X  no
- Significant deficiency(ies) identified that are not considered to be a material weakness(es)? reported     yes   X  none

Noncompliance material to financial statements noted?     yes   X  no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?     yes   X  no
- Significant deficiency(ies) identified that are not considered to be a material weakness(es)? reported     yes   X  none

Type of auditors’ report issued on compliance for each Major program listed below:

Investments for Public Works and Economic Development Facilities	<u>Unmodified</u>
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Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?     yes   X  no

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
11.300	Investments for Public Works and Economic Development Facilities

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?     yes   X  no

TOWN OF CHINO VALLEY, ARIZONA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2017

SECTION II – FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

None noted.

SECTION III – FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

None noted.



Town of Chino Valley  
Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2017

The findings from the year ended June 30, 2016 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

**FINDINGS – FINANCIAL STATEMENT AUDIT**  
**2016-001 Year-end closing procedures**

*Condition:* Merchants remit town sales taxes collected to the State of Arizona in the month after the sales transactions occurred. The State then sends the sales taxes to the Town. The town's sales taxes for transactions that occurred in July through June are remitted to the State of Arizona in August through July of each year. Although the town recognized sales tax revenues for 12 months, the sales taxes being recorded each year did not reflect the proper periods.

*Recommendation:* The auditor recommended that the Town put into place procedures to ensure that town sales tax revenue are properly cut-off and revenue is captured in the correct fiscal year.

*Action Taken:* The recommendation was adopted during fiscal year 2017 and as a result year end closing procedures were followed and financial statements were accurately reported.