

# TOWN OF CHINO VALLEY, ARIZONA



## COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2018



**TOWN OF CHINO VALLEY, ARIZONA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**



**Prepared by the Finance Department**

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



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Performed in Accordance with *Government Auditing Standards*

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# Introductory Section

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November 15, 2018

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, 2018 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, 2018 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 unmodified opinion that the Town of Chino Valley's statements for the fiscal year ended June 30, 2018 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 completed last year was the development of the Chino Valley Regional Business Park at Old Home Manor. The project included a new access road, water and sewer infrastructure for the business park. The Regional Business Park is anticipated to encourage additional investment and economic activity within the area.

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 \$8,617,101 to \$23,100,000 for fiscal year 2017-2018.

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.

## 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.

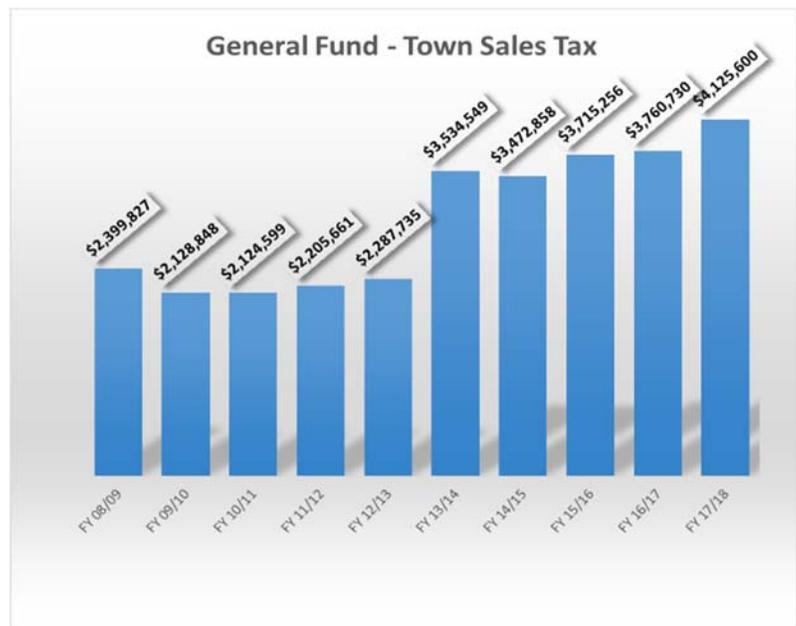
The economy of Chino Valley is a diverse combination of agriculture, manufacturing, commercial, government and service activities. Local indicators are pointing to stability, after several turbulent years during the economic downturn. All local excise taxes, state-shared revenue, state income tax and 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 has recovered from the economic and housing downturn with a significant increase in new housing over the last two fiscal years.

Local Sales Tax, also known as Town Sales Tax, indicators have been mixed since 2009. Local Sales Taxes are comprised of retail, construction, manufacturing, restaurant/bar, hotel/motel, and other taxing categories. In 2008/2009, Town Sales Tax rose to a high of \$2,399,827 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% is 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, but has increased significantly over the last two fiscal year. The graph below shows the fluctuations in construction sales tax from 2008/2009 to 2017/2018.



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 development of Chino Valley Regional Business Park at Old Home Manor. The total project was completed for \$ 2,171,000.
- The Town began the expansion of Memory Park. When completed the larger park will have playground equipment, art and new restrooms.
- The Town also began the extension of Road One East the new round a bout on the south end of Town.

The Town made several improvements to the shooting range, senior center, animal control facility and acquired several pieces of equipment including several new police cars.

## 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, 2017**

*Christopher P. Morrill*

Executive Director/CEO

# TOWN OF CHINO VALLEY, ARIZONA



## LIST OF PRINCIPAL OFFICIALS

### **Town Council**

Darryl L. Croft, Mayor

Lon Turner, Vice Mayor

Mike Best, Council Member

Cloyce Kelly, Council Member

Annie Lane, Council Member

Corey Mendoza, Council Member

Jack Miller, Council Member

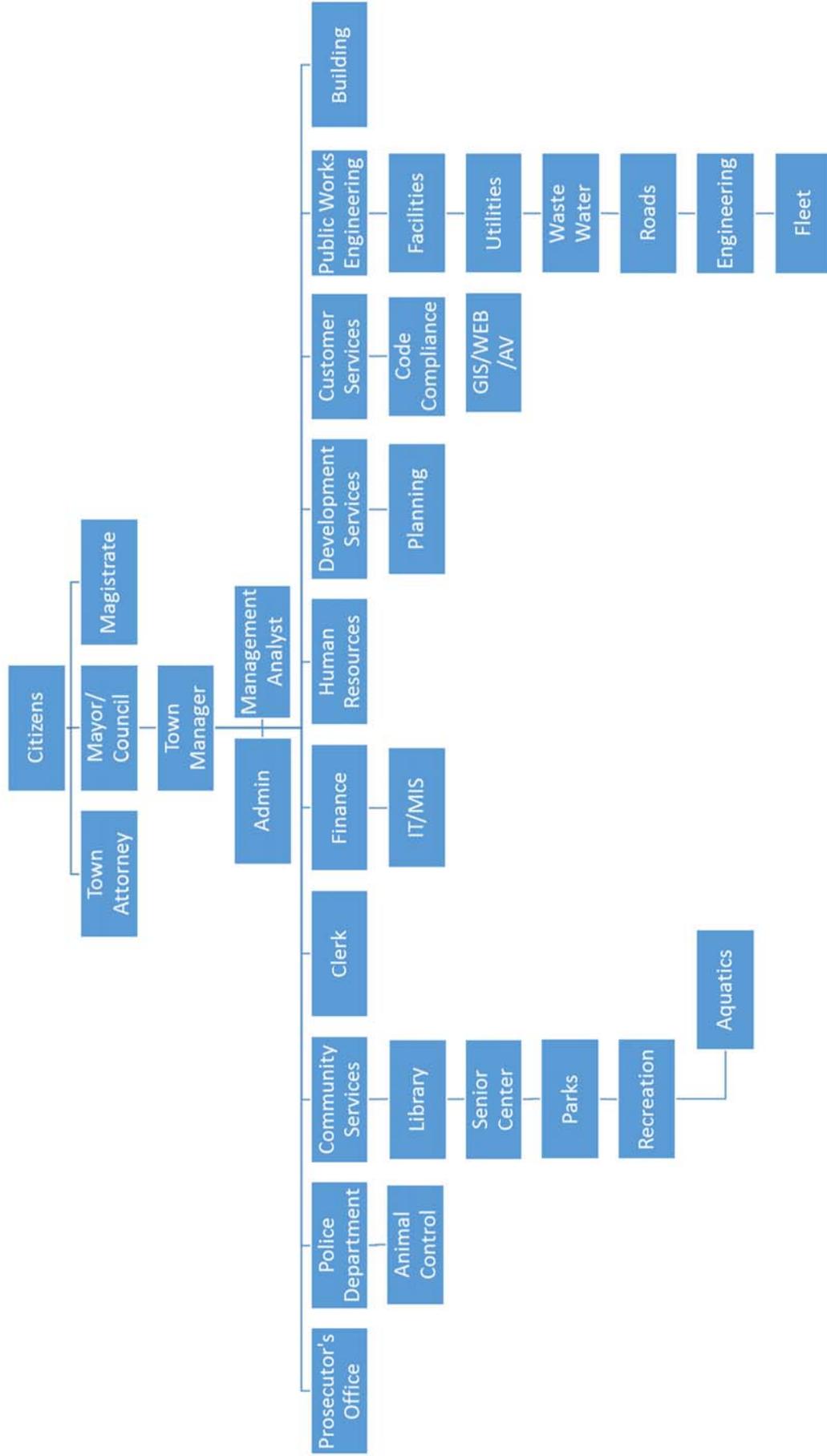
### **Town Manager**

Cecilia Grittman

### **Finance Director**

Joe R. Duffy, CPA

# Town of Chino Valley Organizational Chart





# 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, 2018, 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, 2018, 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 financial information listed as other supplementary information in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the financial information listed as other supplementary information in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## **Other Matters (Continued)**

### *Other Information (Continued)*

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 15, 2018 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 15, 2018



# 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, 2018**

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, 2018. 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 \$20.19 million at the close of the fiscal year.
- Total net position, excluding the impact of GASB Statement 68, increased by \$2.6 million.
- Governmental taxes and other governmental revenues exceeded expenses by \$2,134,796.
- Business-type revenues exceeded total business-type expenses, including transfers by \$509,253.
- Total revenues from all sources were \$16.41 million.
- The total cost of all Town programs was \$13.8 million.
- The General Fund reported excess revenue over expenditures and transfers of \$1,124,275.
- At the end of the current fiscal year, fund balance for the General Fund was \$7.3 million or 84% of total General Fund expenditures, excluding transfers.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The discussion and analysis provided here are intended to serve as an introduction to the Town of Chino Valley's basic financial statements. The Town of Chino Valley's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

**Government-wide Financial Statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the Town of Chino Valley's finances, in a manner similar to a private-sector business. The *statement of net position* presents financial information on all of the Town of Chino Valley's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town of Chino Valley is improving or deteriorating.

The *statement of activities* presents information showing how the Town of Chino Valley's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town of Chino Valley that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town of Chino Valley include general government, public safety, streets, culture and recreation, and health and welfare. The business-type activities of the Town of Chino Valley include water and sewer.

The government-wide financial statements can be found on pages 17-19 of this report.

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

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

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

The Town of Chino Valley maintains eleven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered to be a major fund. Data from the other ten governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The Town of Chino Valley adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 22-32 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 35-39 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 43-78 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 81-88 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 93-102 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 \$22.19 million as of June 30, 2018 as shown in the following condensed statement of net position. The Town has chosen to account for its water and sewer operations in an enterprise fund which is shown as Business Activities.

Town of Chino Valley, Arizona						
Condensed Statement of Net Position						
	Governmental Activities		Business-type Activities		Total Government	
	6/30/2018	6/30/2017	6/30/2018	6/30/2017	6/30/2018	6/30/2017
Current and other assets	\$ 11,194,936	\$ 9,627,668	\$ 657,190	\$ (269,798)	\$ 11,852,126	\$ 9,357,870
Capital assets	16,962,822	16,277,397	27,267,707	28,497,900	44,230,529	44,775,297
Total assets	<u>28,157,758</u>	<u>25,905,065</u>	<u>27,924,897</u>	<u>28,228,102</u>	<u>56,082,655</u>	<u>54,133,167</u>
Deferred outflows of resources	2,728,760	2,742,412	60,386	117,973	2,789,146	2,860,385
Long-term liabilities outstanding	19,595,636	19,387,253	12,299,564	12,976,787	31,895,200	32,364,040
Other liabilities	786,601	747,934	3,218,510	3,394,396	4,005,111	4,142,330
Total liabilities	<u>20,382,237</u>	<u>20,135,187</u>	<u>15,518,074</u>	<u>16,371,183</u>	<u>35,900,311</u>	<u>36,506,370</u>
Deferred inflows of resources	<u>787,757</u>	<u>869,452</u>	<u>46,341</u>	<u>63,277</u>	<u>834,098</u>	<u>932,729</u>
Net position:						
Net investment in capital assets	6,693,892	6,027,754	15,502,227	16,106,276	22,196,119	22,134,030
Restricted	2,355,810	1,769,920	730,932	588,280	3,086,742	2,358,200
Unrestricted	666,822	(154,836)	(3,812,291)	(4,782,941)	(3,145,469)	(4,937,777)
Total net position	<u>\$ 9,716,524</u>	<u>\$ 7,642,838</u>	<u>\$ 12,420,868</u>	<u>\$ 11,911,615</u>	<u>\$ 22,137,392</u>	<u>\$ 19,554,453</u>

## Governmental Activities

The cost of all Governmental activities, excluding transfers, this year was \$10.9 million which is 2% lower than last fiscal year. As shown on the statement of Changes in Net Position below, \$1,200,336 was paid for by those who directly benefited from the programs; \$2,112,992 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 \$3.3 million. General taxes and investment earnings totaled \$9.75 million.

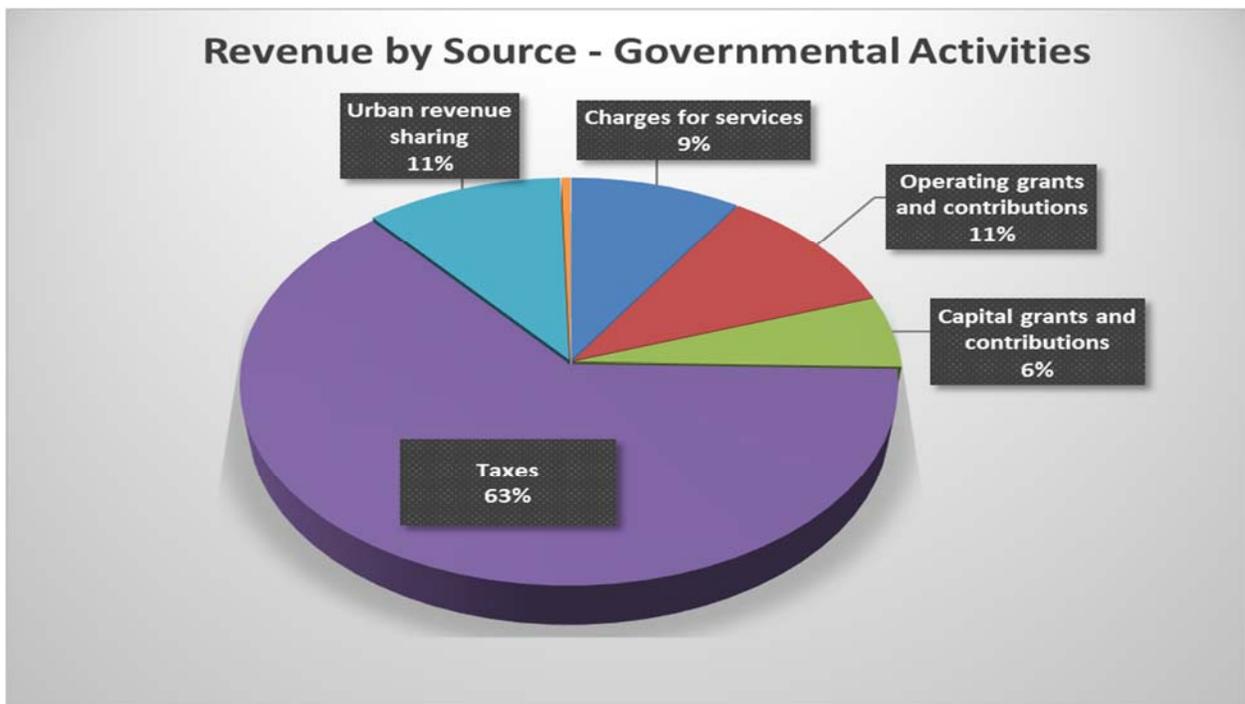
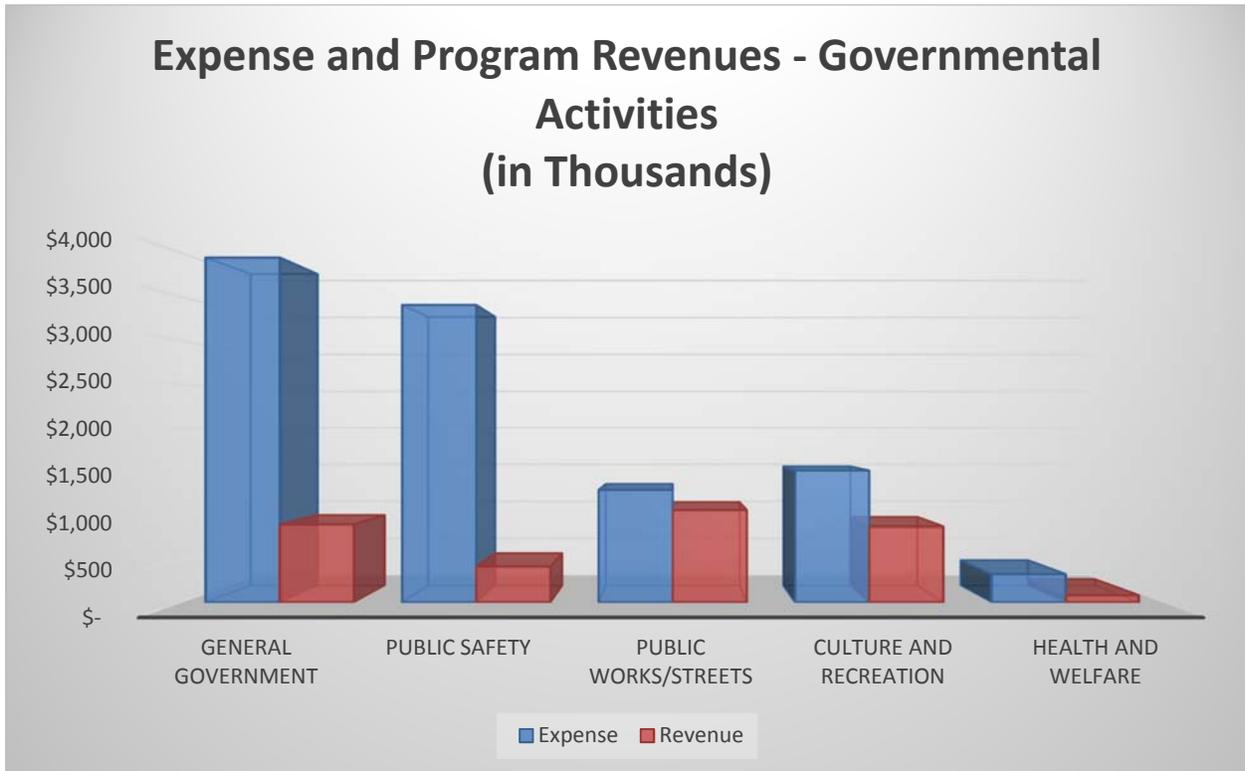
The Town's programs include: General Government, Public Safety, Public Works/Streets, Culture & Recreation, Health & Welfare, Water, and Sewer Services. Each programs' net cost (total cost less revenues generated by the activities) is presented below. The net cost shows the extent to which the Town's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

Total resources available during the year to finance governmental operations were \$20.61 million, consisting of net position at July 1, 2017 of \$7.6 million, program revenues of \$3.31 million and General Revenues of \$9.7 million. Total Governmental Activities during the year were \$10.9 million along with transfers to proprietary funds of \$25,000; thus Governmental Net Position was increased by \$1,285,016 million to \$7.6 million.

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

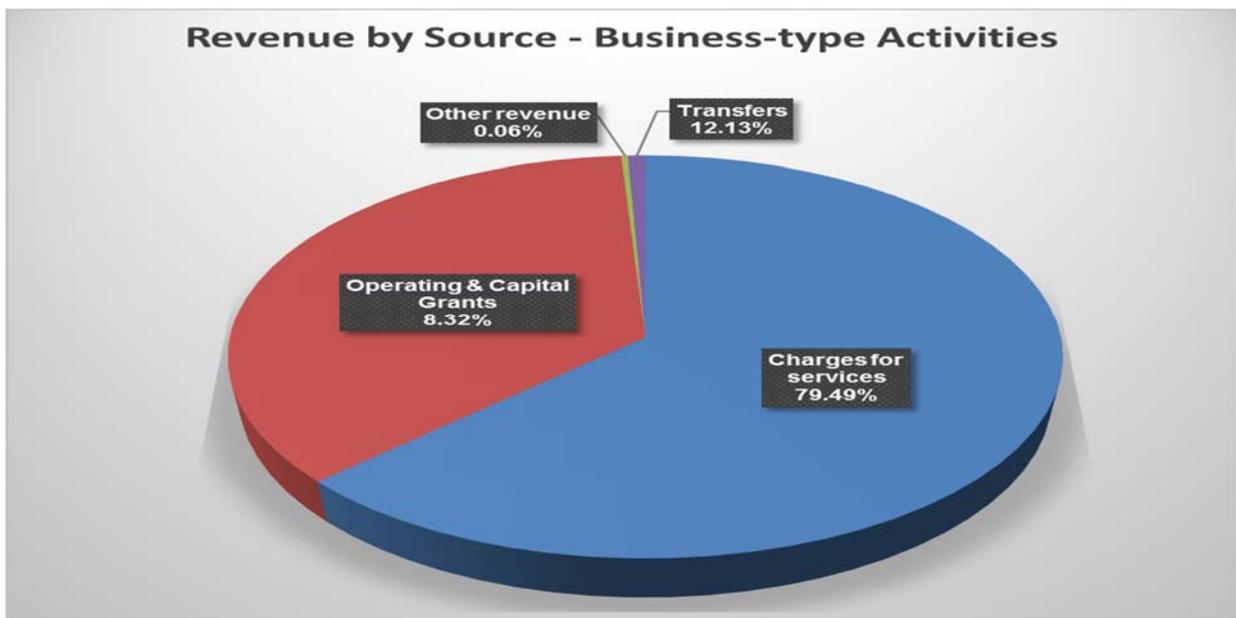
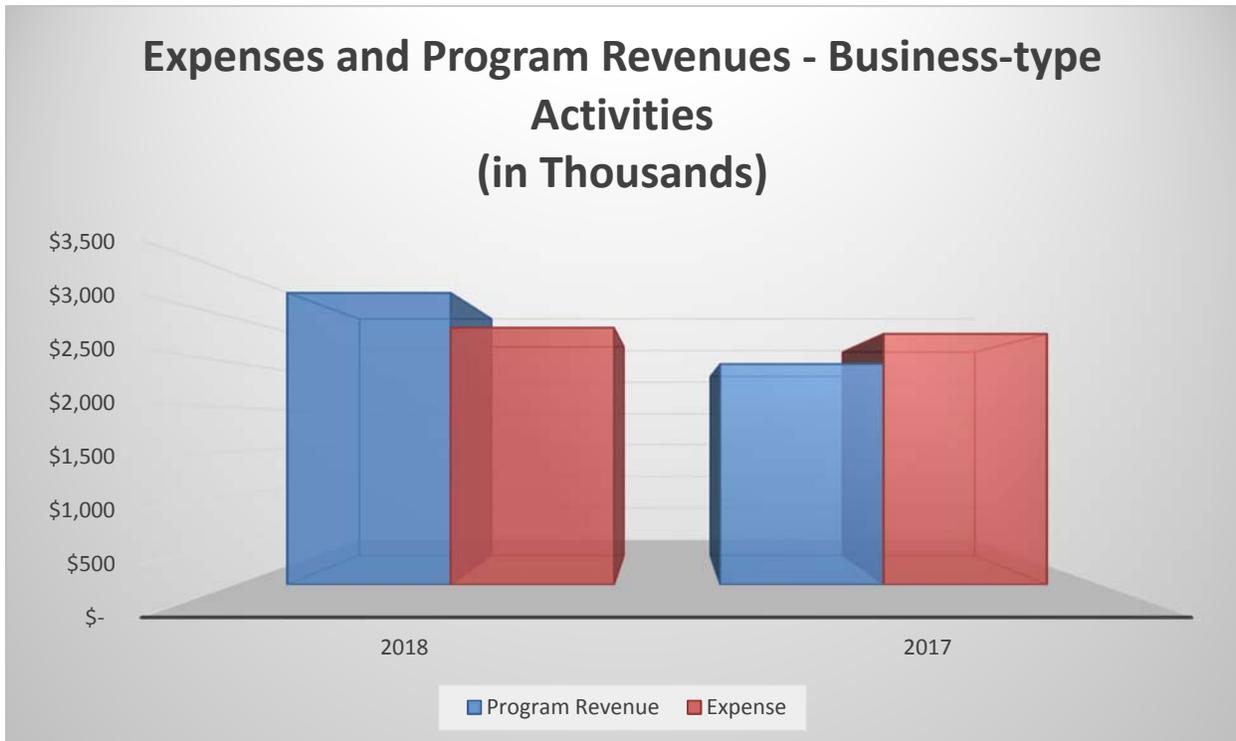
	Governmental Activities		Business-type Activities		Total Government	
	6/30/2018	6/30/2017	6/30/2018	6/30/2017	6/30/2018	6/30/2017
Revenues:						
Program revenues:						
Charges for services	\$ 1,200,336	\$ 970,661	\$ 2,072,467	\$ 1,914,500	\$ 3,272,803	\$ 2,885,161
Operating grants and contributions	1,377,047	1,212,190	-	-	1,377,047	1,212,190
Capital grants and contributions	735,945	1,465,687	1,209,443	570,089	1,945,388	2,035,776
General revenues:						
Taxes	8,291,331	7,458,025	-	-	8,291,331	7,458,025
Urban revenue sharing	1,393,419	1,362,532	-	-	1,393,419	1,362,532
Other revenue/(expense)	62,015	22,124	60,987	2,724	123,002	24,848
Total revenues	<u>13,060,093</u>	<u>12,491,219</u>	<u>3,342,897</u>	<u>2,487,313</u>	<u>16,402,990</u>	<u>14,978,532</u>
Expenses:						
General government	3,949,112	4,284,837	-	-	3,949,112	4,284,837
Public safety	3,407,618	3,628,745	-	-	3,407,618	3,628,745
Public works/Streets	1,284,759	966,821	-	-	1,284,759	966,821
Culture and recreation	1,506,765	1,439,661	-	-	1,506,765	1,439,661
Health and welfare	326,057	330,967	-	-	326,057	330,967
Interest on long-term debt	487,096	480,172	-	-	487,096	480,172
Water	-	-	669,992	666,234	669,992	666,234
Sewer	-	-	2,223,493	2,156,401	2,223,493	2,156,401
Total expenses	<u>10,961,407</u>	<u>11,131,203</u>	<u>2,893,485</u>	<u>2,822,635</u>	<u>13,854,892</u>	<u>13,953,838</u>
Increase / (decrease) in net position						
before special items and transfers	2,098,686	1,360,016	449,412	(335,322)	2,548,098	1,024,694
Special items	-	-	34,841	277,659	34,841	277,659
Transfers in (out)	(25,000)	(75,000)	25,000	75,000	-	-
Change in net position	<u>2,073,686</u>	<u>1,285,016</u>	<u>509,253</u>	<u>17,337</u>	<u>2,582,939</u>	<u>1,302,353</u>
Net position, beginning	<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>
Ending net position	<u>\$ 9,716,524</u>	<u>\$ 7,642,838</u>	<u>\$ 12,420,868</u>	<u>\$ 11,911,615</u>	<u>\$ 22,137,392</u>	<u>\$ 19,554,453</u>

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



## Business Type Activities

Net position of the Business Type activities at June 30, 2018, as reflected in the Statement of Net Position was \$12.4 million. The cost of providing all Proprietary (Business Type) activities this year was \$2.9 million. As shown in the statement of Changes in Net Position, the amounts paid by users of the system were \$2.1 million and there was \$1,209,443 subsidized by capital grants and contributions. Interest earnings were \$9,361 and transfers from governmental funds were \$25,000. The Net Position increased by \$509,253.



## 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 \$10,469,445 an increase of \$2,164,260 in comparison with the prior year. Approximately, 62% of this total amount, \$6,592,376 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 \$6,591,840, while total fund balance is \$7,309,768. 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 75% of total general fund expenditures, while total fund balance represents 84% of the same amount.

During the year, the Town of Chino Valley's General fund balance increased by \$1,124,275. 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 Grants fund balance increased by \$577,789 due to recognition of grant revenue that had been deferred in the prior year in which the expenditures were recognized. The Debt Service fund balance decreased \$1,232 as the transfers approximated the debt payments made during the year. The Capital Improvement fund increased \$202,040 due to the improved sales tax revenues from the prior year.

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 \$12.42 million as of June 30, 2018. Operating revenues in fiscal year 2018 were \$593,395 for water and \$1,479,072 for sewer while operating expenses were \$647,603 for water and \$1,962,405 for sewer, resulting in operating losses of \$54,208 for water and \$483,333 for sewer. The water and sewer operating expenses increased from the prior year mainly due to increased 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 \$602,282 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 2018, net capital assets of the government activities totaled \$16.96 million and the net capital assets of the business-type activities totaled \$27.2 million. Depreciation on capital assets is recognized in the Government-Wide financial statements. (See note 4 to the financial statements)

### **Debt**

At year-end, the Town had \$19.5 million in governmental type debt, and \$12.2 million in proprietary debt. The debt is a liability of the government and amounts to \$2,724 per capita. During the current fiscal year, the Town's total debt increased by \$592,270 and had no change in their credit rating. (See note 5 to the financial statements)

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

In building the Town Budget for fiscal year 2018/2019, 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, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 8,729,396	\$ -	\$ 8,729,396
Receivables (net of allowances)	1,490,651	234,024	1,724,675
Internal balances	307,766	(307,766)	-
Prepaid items/inventory	19,796	-	19,796
Restricted cash and cash equivalents	647,327	730,932	1,378,259
Capital assets:			
Nondepreciable capital assets	2,851,431	3,940,799	6,792,230
Depreciable capital assets (net of accumulated depreciation)	14,111,391	23,326,908	37,438,299
Total assets	<u>28,157,758</u>	<u>27,924,897</u>	<u>56,082,655</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred amount on refunding	458,771	-	458,771
Deferred outflows of resources related to pensions	1,196,078	29,824	1,225,902
Deferred outflows of employer contributions to pensions	1,073,911	30,562	1,104,473
Total deferred outflows of resources	<u>2,728,760</u>	<u>60,386</u>	<u>2,789,146</u>
<b>LIABILITIES</b>			
Accounts payable and other current liabilities	344,615	179,392	524,007
Accrued wages and benefits	187,920	10,574	198,494
Interest payable	192,956	141,174	334,130
Unearned revenue	-	2,887,370	2,887,370
Liabilities payable from restricted assets	61,110	-	61,110
Noncurrent liabilities:			
Due within one year:			
Compensated absences	250,000	11,000	261,000
Capital leases payable	286,879	44,500	331,379
Loans/ developer agreements payable	-	655,792	655,792
Bonds payable	470,000	50,000	520,000
Due in more than one year:			
Compensated absences	224,694	20,554	245,248
Capital leases payable	479,097	80,590	559,687
Loans/ developer agreements payable	-	10,513,847	10,513,847
Bonds payable	9,730,797	420,751	10,151,548
Net pension liability	8,154,169	502,530	8,656,699
Total liabilities	<u>20,382,237</u>	<u>15,518,074</u>	<u>35,900,311</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources related to pensions	787,757	46,341	834,098
Total deferred inflows of resources	<u>787,757</u>	<u>46,341</u>	<u>834,098</u>
<b>NET POSITION</b>			
Net investment in capital assets	6,693,892	15,502,227	22,196,119
Restricted for:			
Highways and streets	995,716	-	995,716
Capital projects	749,647	-	749,647
Debt service	455,795	730,932	1,186,727
Public safety	143,051	-	143,051
Other purposes	11,601	-	11,601
Unrestricted (deficit)	666,822	(3,812,291)	(3,145,469)
Total net position	<u>\$ 9,716,524</u>	<u>\$ 12,420,868</u>	<u>\$ 22,137,392</u>

See accompanying notes.

TOWN OF CHINO VALLEY, ARIZONA  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
General government	\$ 3,949,112	\$ 871,586	\$ 20,735	\$ -
Public safety	3,407,618	229,547	124,880	60,267
Public works/streets	1,284,759	3,373	1,051,348	-
Culture and recreation	1,506,765	89,211	103,588	675,678
Health and welfare	326,057	6,619	76,496	-
Interest on long-term debt	487,096	-	-	-
Total governmental activities	<u>10,961,407</u>	<u>1,200,336</u>	<u>1,377,047</u>	<u>735,945</u>
Business-type activities				
Water	669,992	594,252	-	380,000
Sewer	2,223,493	1,479,072	-	829,443
Total business-type activities	<u>2,893,485</u>	<u>2,073,324</u>	<u>-</u>	<u>1,209,443</u>
Total primary government	<u>\$ 13,854,892</u>	<u>\$ 3,273,660</u>	<u>\$ 1,377,047</u>	<u>\$ 1,945,388</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

  Miscellaneous

  Transfers in (out)

Total general revenues and transfers

Change in net position

Net position, beginning of year

Net position, end of year

Net (Expense) Revenue and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (3,056,791)	\$ -	\$ (3,056,791)
(2,992,924)	-	(2,992,924)
(230,038)	-	(230,038)
(638,288)	-	(638,288)
(242,942)	-	(242,942)
(487,096)	-	(487,096)
(7,648,079)	-	(7,648,079)
-	304,260	304,260
-	85,022	85,022
-	389,282	389,282
(7,648,079)	389,282	(7,258,797)
6,312,095	-	6,312,095
124,327	-	124,327
3,999	-	3,999
766,485	-	766,485
1,084,425	-	1,084,425
1,393,419	-	1,393,419
62,015	8,504	70,519
-	86,467	86,467
(25,000)	25,000	-
9,721,765	119,971	9,841,736
2,073,686	509,253	2,582,939
7,642,838	11,911,615	19,554,453
\$ 9,716,524	\$ 12,420,868	\$ 22,137,392



# 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, 2018

	General	Grants	Debt Service	Capital Improvement
<b>ASSETS</b>				
Cash and cash equivalents	\$ 6,353,022	\$ -	\$ 301,606	\$ 752,458
Receivables, net:				
Accounts receivable	130,545	-	-	-
Intergovernmental	931,499	166,745	-	171,859
Due from other funds	343,594	-	-	-
Prepays	19,796	-	-	-
Restricted cash and investments	-	-	347,145	300,182
<b>Total assets</b>	<b>\$ 7,778,456</b>	<b>\$ 166,745</b>	<b>\$ 648,751</b>	<b>\$ 1,224,499</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 216,989	\$ 8,326	\$ -	\$ 41,757
Court bonds	2,005	-	-	-
Accrued wages and benefits	177,136	-	-	-
Accrued liabilities	70,798	292	-	-
Matured interest payable	-	-	192,956	-
Customer deposits	1,760	-	-	-
Liabilities payable from restricted assets	-	-	-	61,110
Due to other funds	-	35,828	-	-
<b>Total liabilities</b>	<b>468,688</b>	<b>44,446</b>	<b>192,956</b>	<b>102,867</b>
<b>FUND BALANCES</b>				
<b>Nonspendable</b>				
Due from other funds	307,766	-	-	-
Prepaid items	19,796	-	-	-
<b>Restricted</b>				
Highways and streets	42,450	65,000	-	-
Capital improvements	-	-	-	239,072
Culture and recreation	-	11,601	-	-
Debt service	-	-	455,795	-
Public safety	97,889	45,698	-	-
<b>Assigned</b>				
Capital improvements	250,027	-	-	882,560
<b>Unassigned</b>	<b>6,591,840</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total fund balances</b>	<b>7,309,768</b>	<b>122,299</b>	<b>455,795</b>	<b>1,121,632</b>
<b>Total liabilities and fund balances</b>	<b>\$ 7,778,456</b>	<b>\$ 166,745</b>	<b>\$ 648,751</b>	<b>\$ 1,224,499</b>

Non-Major Governmental Funds	Total Governmental Funds
\$ 1,322,310	\$ 8,729,396
41	130,586
89,962	1,360,065
-	343,594
-	19,796
-	647,327
<u>\$ 1,412,313</u>	<u>\$ 11,230,764</u>
\$ 2,632	\$ 269,704
-	2,005
10,784	187,920
56	71,146
-	192,956
-	1,760
-	61,110
-	35,828
<u>13,472</u>	<u>822,429</u>
-	307,766
-	19,796
888,266	995,716
510,575	749,647
-	11,601
-	455,795
-	143,051
-	1,132,587
-	6,592,376
<u>1,398,841</u>	<u>10,408,335</u>
<u>\$ 1,412,313</u>	<u>\$ 11,230,764</u>



TOWN OF CHINO VALLEY, ARIZONA  
 RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION  
 GOVERNMENTAL FUNDS  
 June 30, 2018

Total governmental funds balances		\$ 10,408,335
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	\$ 28,825,162	
Accumulated depreciation	<u>(11,862,340)</u>	16,962,822
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	(8,154,169)	
Capital leases payable	(765,976)	
Bonds payable	(10,317,000)	
Issuance discount	116,203	
Compensated absences	<u>(474,694)</u>	(19,595,636)
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	458,771	
Deferred outflows of resources related to pensions	1,196,078	
Deferred outflows of employer contributions	1,073,911	
Deferred inflows of resources related to pensions	<u>(787,757)</u>	1,941,003
Total net position of governmental activities		<u>\$ 9,716,524</u>

TOWN OF CHINO VALLEY, ARIZONA  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2018

	General	Grants	Debt Service	Capital Improvement
<b>REVENUES</b>				
Taxes	\$ 4,858,398	\$ -	\$ -	\$ 1,578,024
Licenses, permits and fees	707,122	-	-	-
Intergovernmental revenues	3,425,178	1,487,243	-	14,216
Charges for services	124,458	-	-	-
Fines and forfeitures	275,315	-	-	-
Interest income	47,857	-	7	3,066
Other revenues	69,851	17,433	-	-
Total revenues	<u>9,508,179</u>	<u>1,504,676</u>	<u>7</u>	<u>1,595,306</u>
<b>EXPENDITURES</b>				
Current:				
General government	3,920,816	16,878	-	-
Public safety	3,181,239	140,924	-	-
Public works/streets	-	-	-	-
Culture and recreation	1,017,914	37,130	-	-
Health and welfare	321,974	39,137	-	-
Capital outlay	166,973	692,818	-	979,730
Debt service:				
Principal retirement	111,545	-	309,000	-
Interest and fiscal charges	7,657	-	390,239	-
Debt issuance cost	-	-	-	2,000
Total expenditures	<u>8,728,118</u>	<u>926,887</u>	<u>699,239</u>	<u>981,730</u>
Excess (deficiency) of revenues over (under) expenditures	<u>780,061</u>	<u>577,789</u>	<u>(699,232)</u>	<u>613,576</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Capital lease agreement	-	-	-	711,464
Sale of capital assets	19,214	-	-	-
Transfers in	400,000	-	698,000	-
Transfers out	(75,000)	-	-	(1,123,000)
Total other financing sources and (uses)	<u>344,214</u>	<u>-</u>	<u>698,000</u>	<u>(411,536)</u>
Net change in fund balances	1,124,275	577,789	(1,232)	202,040
Fund balances - beginning of year	6,185,493	(455,490)	457,027	919,592
Fund balances - end of year	<u>\$ 7,309,768</u>	<u>\$ 122,299</u>	<u>\$ 455,795</u>	<u>\$ 1,121,632</u>

Non-Major Governmental Funds	Total Governmental Funds
\$ 3,999	\$ 6,440,421
2,643	709,765
941,628	5,868,265
-	124,458
-	275,315
11,085	62,015
1,007	88,291
<u>960,362</u>	<u>13,568,530</u>
-	3,937,694
-	3,322,163
756,057	756,057
-	1,055,044
-	361,111
77,072	1,916,593
114,246	534,791
5,965	403,861
-	2,000
<u>953,340</u>	<u>12,289,314</u>
<u>7,022</u>	<u>1,279,216</u>
-	711,464
118,256	137,470
75,000	1,173,000
-	(1,198,000)
<u>193,256</u>	<u>823,934</u>
200,278	2,103,150
<u>1,198,563</u>	<u>8,305,185</u>
<u>\$ 1,398,841</u>	<u>\$ 10,408,335</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, 2018

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

Net change in fund balances - total governmental funds \$ 2,103,150

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.

Capital outlay	\$ 1,761,690	
Depreciation expense	<u>(983,888)</u>	777,802

Governmental funds report the gross proceeds from the sale of capital assets as revenue. However, in the statement of activities, the gain on the sale of capital assets is reported net of its net book value (92,377)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. (575,000)

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

Town pension contributions	1,073,911	
Pension expense	<u>(926,899)</u>	147,012

Debt proceeds provide current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the Statement of Activities. (711,464)

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. 534,790

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.

Deferred amounts on refunding	(73,077)	
Bond discounts	<u>(8,608)</u>	(81,685)

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. (28,993)

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. 451

Change in net position of governmental activities \$ 2,073,686

TOWN OF CHINO VALLEY, ARIZONA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
Year Ended June 30, 2018

REVENUES	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Taxes				
City sales tax	\$ 4,290,000	\$ 4,290,000	\$ 4,734,071	\$ 444,071
Franchise taxes	123,000	123,000	124,327	1,327
Total taxes	4,413,000	4,413,000	4,858,398	445,398
Licenses and permits	407,000	407,000	707,122	300,122
Intergovernmental:				
State shared sales tax	1,058,000	1,058,000	1,084,425	26,425
State shared income tax	1,398,000	1,398,000	1,393,419	(4,581)
Vehicle license tax	727,500	727,500	766,485	38,985
Grants	52,000	52,000	75,926	23,926
Other intergovernmental	117,500	117,500	104,923	(12,577)
Total intergovernmental	3,353,000	3,353,000	3,425,178	72,178
Charges for services	124,000	124,000	124,458	458
Fines and forfeitures	231,400	231,400	275,315	43,915
Interest	11,100	11,100	47,857	36,757
Other Revenues				
Donations	2,500	2,500	1,158	(1,342)
Charges for administrative services	1,500	1,500	1,516	16
Miscellaneous	1,000	1,000	67,177	66,177
Total other revenues	5,000	5,000	69,851	64,851
<b>TOTAL REVENUES</b>	<b>8,544,500</b>	<b>8,544,500</b>	<b>9,508,179</b>	<b>963,679</b>
<b>EXPENDITURES</b>				
General government				
Legal services	116,100	116,100	113,048	3,052
Town clerk	193,800	193,800	176,982	16,818
Town Manager	313,000	313,000	287,493	25,507
Human resources	233,000	233,000	216,671	16,329
Municipal court	287,900	287,900	272,642	15,258
Finance	356,200	359,200	358,370	830
Customer service	237,600	237,600	176,827	60,773
Information systems	249,400	249,400	200,602	48,798
Mayor & council	40,700	40,700	34,183	6,517
Planning	208,500	208,500	193,973	14,527
Building inspection	186,700	186,700	183,172	3,528
Facilities maintenance	366,100	366,100	355,944	10,156
Fleet maintenance	279,200	279,200	246,168	33,032
Engineering	216,500	216,500	170,113	46,387
Contingencies	440,000	440,000	422,006	17,994
Court collection and improvements	30,000	30,000	20,475	9,525
Capital assets replacements	110,000	110,000	10,615	99,385
Nondepartmental	611,500	569,500	481,532	87,968
Total general government	4,476,200	4,437,200	3,920,816	516,384

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Public safety				
Police	3,147,400	3,147,400	3,059,654	87,746
Animal control	129,100	129,100	121,585	7,515
Total public safety	<u>3,276,500</u>	<u>3,276,500</u>	<u>3,181,239</u>	<u>95,261</u>
Culture and recreation				
Recreation	112,700	112,700	105,795	6,905
Library	329,700	334,700	331,216	3,484
Parks maintenance	363,500	367,500	374,269	(6,769)
Aquatics center	195,800	213,800	206,634	7,166
Total culture and recreation	<u>1,001,700</u>	<u>1,028,700</u>	<u>1,017,914</u>	<u>10,786</u>
Health and welfare				
Senior center	297,400	309,400	321,974	(12,574)
Capital outlay	172,000	172,000	166,973	5,027
Debt service:				
Principal retirement	109,600	109,600	111,545	(1,945)
Interest and fiscal charges	-	-	7,657	(7,657)
Total debt service	<u>109,600</u>	<u>109,600</u>	<u>119,202</u>	<u>(9,602)</u>
TOTAL EXPENDITURES	<u>9,333,400</u>	<u>9,333,400</u>	<u>8,728,118</u>	<u>605,282</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(788,900)</u>	<u>(788,900)</u>	<u>780,061</u>	<u>1,568,961</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	1,000	1,000	19,214	18,214
Transfers in	400,000	400,000	400,000	-
Transfers out	<u>(75,000)</u>	<u>(75,000)</u>	<u>(75,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>326,000</u>	<u>326,000</u>	<u>344,214</u>	<u>18,214</u>
Net change in fund balance	(462,900)	(462,900)	1,124,275	1,587,175
Fund balance - beginning of year	<u>6,185,493</u>	<u>6,185,493</u>	<u>6,185,493</u>	<u>-</u>
Fund balance - end of year	<u>\$ 5,722,593</u>	<u>\$ 5,722,593</u>	<u>\$ 7,309,768</u>	<u>\$ 1,587,175</u>

TOWN OF CHINO VALLEY, ARIZONA  
 GRANTS  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL  
 Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget- Positive (Negative)
REVENUES				
Intergovernmental revenues	\$ 3,500,000	\$ 3,500,000	\$ 1,487,243	\$ (2,012,757)
Other revenues	-	-	17,433	17,433
Total revenues	<u>3,500,000</u>	<u>3,500,000</u>	<u>1,504,676</u>	<u>(1,995,324)</u>
EXPENDITURES				
Current:				
General government	50,000	50,000	16,878	33,122
Public safety	100,000	100,000	140,924	(40,924)
Culture and recreation	100,000	100,000	37,130	62,870
Health and welfare	25,000	25,000	39,137	(14,137)
Capital outlay	3,225,000	3,225,000	692,818	2,532,182
Total expenditures	<u>3,500,000</u>	<u>3,500,000</u>	<u>926,887</u>	<u>2,573,113</u>
Net change in fund balance	-	-	577,789	577,789
Fund balance - beginning of year	<u>(455,490)</u>	<u>(455,490)</u>	<u>(455,490)</u>	<u>-</u>
Fund balance - end of year	<u>\$ (455,490)</u>	<u>\$ (455,490)</u>	<u>\$ 122,299</u>	<u>\$ 577,789</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, 2018

	Business-type Activities-Enterprise Funds		
	Water	Sewer	Total
<b>ASSETS</b>			
Current assets			
Receivables (net of allowance)	\$ 65,810	\$ 87,814	\$ 153,624
Total current assets	65,810	87,814	153,624
Noncurrent assets			
Restricted cash and investments	-	730,932	730,932
Hookups receivable	-	80,400	80,400
Land	3,211,136	-	3,211,136
Construction-in-progress	30,555	30,555	61,110
Water rights	668,553	-	668,553
Treatment facilities	6,433	9,791,955	9,798,388
Water distribution system	3,361,625	-	3,361,625
Sewer collection system	-	22,181,928	22,181,928
Machinery and equipment	277,175	716,821	993,996
Accumulated depreciation	(1,935,968)	(11,073,061)	(13,009,029)
Total noncurrent assets	5,619,509	22,459,530	28,079,039
Total assets	5,685,319	22,547,344	28,232,663
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources related to pensions	30,575	29,811	60,386
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	3,480	87,132	90,612
Accrued wages and benefits	2,955	7,619	10,574
Accrued liabilities	6,033	-	6,033
Interest payable	10,831	130,343	141,174
Due to other funds	233,932	73,834	307,766
Customer deposits	22,028	60,719	82,747
Unearned revenue	-	2,887,370	2,887,370
Compensated absences	5,500	5,500	11,000
Capital leases - current portion	22,250	22,250	44,500
Loans payable - current portion	-	655,792	655,792
Bonds payable - current portion	50,000	-	50,000
Total current liabilities	357,009	3,930,559	4,287,568
Noncurrent liabilities			
Compensated absences	10,277	10,277	20,554
Developer agreement payable	420,733	-	420,733
Capital leases, net of current portion	40,295	40,295	80,590
Loans payable, net of current portion	-	10,093,114	10,093,114
Bonds payable, net of current portion	420,751	-	420,751
Net pension liability	254,873	247,657	502,530
Total noncurrent liabilities	1,146,929	10,391,343	11,538,272
Total liabilities	1,503,938	14,321,902	15,825,840
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources related to pensions	24,246	22,095	46,341
<b>NET POSITION</b>			
Net investment in capital assets	4,665,480	10,836,747	15,502,227
Restricted for debt service	-	730,932	730,932
Unrestricted	(477,770)	(3,334,521)	(3,812,291)
Total net position	\$ 4,187,710	\$ 8,233,158	\$ 12,420,868



TOWN OF CHINO VALLEY, ARIZONA  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
Year Ended June 30, 2018

	Business-type Activities-Enterprise Funds		
	Water	Sewer	Total
Operating revenues			
Charges for services	\$ 527,115	\$ 1,479,072	\$ 2,006,187
Other revenues	66,280	-	66,280
Total operating revenue	<u>593,395</u>	<u>1,479,072</u>	<u>2,072,467</u>
Operating expenses			
Salaries	101,476	184,530	286,006
Employee benefits	39,129	54,265	93,394
Service, supplies and other	150,752	320,492	471,244
Repairs and maintenance	43,608	116,653	160,261
Utilities	73,459	113,058	186,517
Legal and professional	17,629	8,623	26,252
Contract service	10,598	-	10,598
Training and travel	1,450	3,039	4,489
Office expenses	1,158	-	1,158
Dues and subscriptions	460	6,000	6,460
Depreciation	187,984	1,155,745	1,343,729
Miscellaneous	19,900	-	19,900
Total operating expenses	<u>647,603</u>	<u>1,962,405</u>	<u>2,610,008</u>
Operating income (loss)	<u>(54,208)</u>	<u>(483,333)</u>	<u>(537,541)</u>
Non-operating Revenues (Expenses)			
Interest income	-	8,504	8,504
Interest expense and fiscal charges	(21,532)	(261,088)	(282,620)
Miscellaneous nonoperating revenues	-	86,467	86,467
Total nonoperating revenue (expense)	<u>(21,532)</u>	<u>(166,117)</u>	<u>(187,649)</u>
Income (loss) before contributions and transfers	<u>(75,740)</u>	<u>(649,450)</u>	<u>(725,190)</u>
Buy-in and connection fees	380,000	829,443	1,209,443
Transfers in	25,000	-	25,000
Change in net position	<u>329,260</u>	<u>179,993</u>	<u>509,253</u>
Net position, beginning of year	<u>3,858,450</u>	<u>8,053,165</u>	<u>11,911,615</u>
Net position-end of year	<u>\$ 4,187,710</u>	<u>\$ 8,233,158</u>	<u>\$ 12,420,868</u>

TOWN OF CHINO VALLEY, ARIZONA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2018

	Business-type Activities-Enterprise Funds		
	Water	Sewer	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers, service fees	\$ 525,614	\$ 1,321,700	\$ 1,847,314
Cash received from customers, others	66,280	-	66,280
Cash paid to suppliers	(319,418)	(566,875)	(886,293)
Cash paid to employees	(141,634)	(249,558)	(391,192)
Cash flows provided (used) by operating activities	<u>130,842</u>	<u>505,267</u>	<u>636,109</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Nonoperating receipts	-	86,467	86,467
Interfund borrowing	(444,228)	(514,468)	(958,696)
Interfund transfers	25,000	-	25,000
Cash flows provided (used) by noncapital and related financing activities	<u>(419,228)</u>	<u>(428,001)</u>	<u>(847,229)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchase of capital assets	(56,767)	(56,769)	(113,536)
Capital debt proceeds	56,768	56,768	113,536
Principal paid on long term debt	(69,133)	(594,953)	(664,086)
Interest paid on long-term debt	(22,482)	(262,548)	(285,030)
Receipts from buy-in and connection fees	380,000	914,384	1,294,384
Cash flows provided (used) by capital and related financing activities	<u>288,386</u>	<u>56,882</u>	<u>345,268</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Receipts from investment earnings	-	8,504	8,504
Cash flows provided (used) by investing activities	<u>-</u>	<u>8,504</u>	<u>8,504</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<u>-</u>	<u>142,652</u>	<u>142,652</u>
Cash and cash equivalents at beginning of year	<u>-</u>	<u>588,280</u>	<u>588,280</u>
Cash and cash equivalents at end of year	<u>\$ -</u>	<u>\$ 730,932</u>	<u>\$ 730,932</u>

	<u>Business-type Activities-Enterprise Funds</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Reconciliation of operating loss to net cash provided (used) by operating activities:			
Net operating loss	\$ (54,208)	\$ (483,333)	\$ (537,541)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:			
Depreciation/amortization expense	187,984	1,155,745	1,343,729
Provision for bad debt	-	49,289	49,289
Changes in operating assets and liabilities (Increase)/decrease in:			
Accounts receivable	5,771	(41,135)	(35,364)
Deferred outflows of resources related to pensions	24,161	33,426	57,587
Increase/(decrease) in:			
Accounts payable	63	990	1,053
Accrued wages and benefits	(1,861)	497	(1,364)
Accrued liabilities	(467)	-	(467)
Customer deposits	(7,272)	11,577	4,305
Unearned revenue	-	(177,103)	(177,103)
Compensated absences	1,051	(7,741)	(6,690)
Net pension liability	(17,647)	(26,742)	(44,389)
Deferred inflows of resources related to pensions	(6,733)	(10,203)	(16,936)
Net cash provided (used) by operating activities:	<u>\$ 130,842</u>	<u>\$ 505,267</u>	<u>\$ 636,109</u>
Noncash investing, capital, and financing activities:			
De-obligated principal	\$ -	\$ 75,494	\$ 75,494
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, 2018

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 activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, when applicable, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

TOWN OF CHINO VALLEY, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2018

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. Separate statements for each fund category—governmental and proprietary—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The Town reports the following major governmental funds:

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

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, 2018

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, 2018

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, 2018

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, 2018, 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, 2018

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, 2018

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, 2018

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, 2018

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.

TOWN OF CHINO VALLEY, ARIZONA  
 NOTES TO THE FINANCIAL STATEMENTS  
 June 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. Budgets and Budgetary Accounting (Continued)

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

Supplementary budgetary appropriations were necessary during the year.

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

NOTE 2 CASH AND INVESTMENTS

The following table summarizes the Town's cash and investments at June 30, 2018:

	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	\$ 8,729,396	\$ -	\$ 8,729,396
Restricted cash and cash equivalents	<u>647,327</u>	<u>730,932</u>	<u>1,378,259</u>
Total	<u>\$ 9,376,723</u>	<u>\$ 730,932</u>	<u>\$ 10,107,655</u>

Deposits

Cash in bank - At June 30, 2018, the Town had \$3,200 of cash on hand. The carrying amount of the Town's cash in bank totaled \$2,325,619 and the bank balance was \$2,455,743. Of the bank balance, \$272,315 was covered by federal depository insurance, and \$2,183,645 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, 2018, the Town had restricted cash and cash equivalents of \$1,378,259. Of this balance, \$730,932 was restricted in reserve funds with LGIP for the loans payable to the Water Infrastructure Finance Authority of Arizona (WIFA). Of the remaining balance of \$647,327, amounts of \$347,145 and \$300,182 were held in money market accounts with US Bank and National Bank of Arizona, respectively.

TOWN OF CHINO VALLEY, ARIZONA  
 NOTES TO THE FINANCIAL STATEMENTS  
 June 30, 2018

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 34 days for Pool 5 and 34 days for Pool 7. The net asset value per share of the pool at June 30, 2018 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, 2018, the Town's funds invested with the State Treasurer totaled \$7,131,509.

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	\$ 647,327
LGIP	<u>7,131,509</u>
Total	<u>\$ 7,778,836</u>

TOWN OF CHINO VALLEY, ARIZONA  
 NOTES TO THE FINANCIAL STATEMENTS  
 June 30, 2018

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	\$ 647,327	\$ -	\$ -	\$ 647,327
LGIP	7,131,509	569,254	-	6,562,255
Total	<u>\$ 7,778,836</u>	<u>\$ 569,254</u>	<u>\$ -</u>	<u>\$ 7,209,582</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.

Receivables:	Water Fund	Sewer Fund	Total Enterprise
Service billings receivable	72,810	137,814	210,624
Less: Allowance for doubtful accounts	(7,000)	(50,000)	(57,000)
Net Receivables	<u>\$ 65,810</u>	<u>\$ 87,814</u>	<u>\$ 153,624</u>

Hookups receivable of \$80,400 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, 2018

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	1,541,190	1,142,505	(2,251,131)	432,564
Total capital assets not being depreciated	3,960,057	1,142,505	(2,251,131)	2,851,431
Capital assets, being depreciated:				
Buildings	10,495,451	168,704	-	10,664,155
Improvements other than buildings	1,364,368	-	(5,183)	1,359,185
Vehicles, furniture and equipment	4,462,655	530,320	(535,103)	4,457,872
Infrastructure	7,321,227	2,171,292	-	9,492,519
Total capital assets being depreciated	23,643,701	2,870,316	(540,286)	25,973,731
Less accumulated depreciation for:				
Buildings	(5,119,926)	(393,004)	-	(5,512,930)
Improvements other than buildings	(877,891)	(48,722)	5,183	(921,430)
Vehicles, furniture and equipment	(3,526,170)	(231,056)	442,726	(3,314,500)
Infrastructure	(1,802,374)	(311,106)	-	(2,113,480)
Total accumulated depreciation	(11,326,361)	(983,888)	447,909	(11,862,340)
Total capital assets, being depreciated, net	12,317,340	1,886,428	(92,377)	14,111,391
Governmental activities capital assets, net	\$ 16,277,397	\$ 3,028,933	\$ (2,343,508)	\$ 16,962,822

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

Governmental activities:	
General government	\$ 149,330
Public safety	143,906
Highway and streets	351,279
Culture and recreation	338,402
Health and Welfare	971
Total depreciation expense	\$ 983,888

TOWN OF CHINO VALLEY, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2018

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	-	61,110	-	61,110
Water rights	668,553	-	-	668,553
Total capital assets not being depreciated	<u>3,879,689</u>	<u>61,110</u>	<u>-</u>	<u>3,940,799</u>
Capital assets, being depreciated:				
Treatment facilities	9,798,388	-	-	9,798,388
Water distribution system	3,361,625	-	-	3,361,625
Sewer collection system	22,181,928	-	-	22,181,928
Machinery, equipment & vehicles	941,569	52,427	-	993,996
Total capital assets being depreciated	<u>36,283,510</u>	<u>52,427</u>	<u>-</u>	<u>36,335,937</u>
Less accumulated depreciation for:				
Treatment facilities	(2,346,086)	(207,751)	-	(2,553,837)
Water distribution system	(1,591,091)	(168,787)	-	(1,759,878)
Sewer collection system	(7,392,031)	(886,735)	-	(8,278,766)
Machinery, equipment & vehicles	(336,091)	(80,456)	-	(416,547)
Total accumulated depreciation	<u>(11,665,299)</u>	<u>(1,343,729)</u>	<u>-</u>	<u>(13,009,028)</u>
Total capital assets, being depreciated, net	<u>24,618,211</u>	<u>(1,291,302)</u>	<u>-</u>	<u>23,326,909</u>
Business-Type activities capital assets, net	<u>\$ 28,497,900</u>	<u>\$ (1,230,192)</u>	<u>\$ -</u>	<u>\$ 27,267,708</u>

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

Business-type activities	
Water	\$ 187,984
Sewer	<u>1,155,745</u>
Total depreciation expense	<u>\$ 1,343,729</u>

TOWN OF CHINO VALLEY, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2018

NOTE 5 LONG-TERM DEBT

The following is a summary of changes in long-term obligations for the year ended June 30, 2018:

	Balance 6/30/17	Additions	Retirements	Balance 6/30/18	Due Within One Year
<b>Governmental Activities:</b>					
Bonds payable					
Revenue bond series 2016	\$ 3,346,000	\$ -	\$ (309,000)	\$ 3,037,000	\$ 320,000
Revenue bond series 2010	7,280,000	-	-	7,280,000	150,000
Discount on bonds	(124,811)	-	8,608	(116,203)	-
Total bonds payable	<u>10,501,189</u>	<u>-</u>	<u>(300,392)</u>	<u>10,200,797</u>	<u>470,000</u>
Capital leases payable					
Equipment lease	280,302	711,464	(225,790)	765,976	286,879
Total leases payable	<u>280,302</u>	<u>711,464</u>	<u>(225,790)</u>	<u>765,976</u>	<u>286,879</u>
Compensated absences	445,701	518,939	(489,946)	474,694	250,000
Net pension liability	8,160,061	-	(5,892)	8,154,169	-
Total other long term debt	<u>8,605,762</u>	<u>518,939</u>	<u>(495,838)</u>	<u>8,628,863</u>	<u>250,000</u>
Total Governmental Activities	<u>19,387,253</u>	<u>1,230,403</u>	<u>(1,022,020)</u>	<u>19,595,636</u>	<u>1,006,879</u>
<b>Business-type Activities:</b>					
Bonds payable					
Revenue bond series 2010	520,000	-	(50,000)	470,000	50,000
Premium on bonds	851	-	(100)	751	-
Total bonds payable	<u>520,851</u>	<u>-</u>	<u>(50,100)</u>	<u>470,751</u>	<u>50,000</u>
Loans payable					
WIFA					
Series 2007	932,369	-	(82,242)	850,127	84,510
Series 2008	3,247,075	-	(255,957)	2,991,118	263,160
Series 2014	2,717,514	-	(126,801)	2,590,713	129,350
Series 2015	40,493	-	(9,965)	30,528	10,070
Series 2016	4,135,269	-	(129,353)	4,005,916	157,304
Series 2017	327,500	-	(46,996)	280,504	11,398
Total loans payable	<u>11,400,220</u>	<u>-</u>	<u>(651,314)</u>	<u>10,748,906</u>	<u>655,792</u>
Capital leases payable					
Equipment lease	49,820	113,536	(38,266)	125,090	44,500
Total leases payable	<u>49,820</u>	<u>113,536</u>	<u>(38,266)</u>	<u>125,090</u>	<u>44,500</u>
Compensated absences	38,244	28,271	(34,961)	31,554	11,000
Developer agreement payable	420,733	-	-	420,733	-
Net pension liability	546,919	-	(44,389)	502,530	-
Total other long term debt	<u>1,005,896</u>	<u>28,271</u>	<u>(79,350)</u>	<u>954,817</u>	<u>11,000</u>
Total Business-type Activities	<u>12,976,787</u>	<u>141,807</u>	<u>(819,030)</u>	<u>12,299,564</u>	<u>761,292</u>
Total long-term liabilities	<u>\$ 32,364,040</u>	<u>\$ 1,372,210</u>	<u>\$ (1,841,050)</u>	<u>\$ 31,895,200</u>	<u>\$ 1,768,171</u>

TOWN OF CHINO VALLEY, ARIZONA  
 NOTES TO THE FINANCIAL STATEMENTS  
 June 30, 2018

NOTE 5 LONG-TERM DEBT (Continued)

Generally, for governmental activities, compensated absences and pension liabilities 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
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	666,000	324,352	774,625	184,281
2024 - 2028	3,709,000	1,295,179	3,945,603	597,046
2029 - 2033	3,700,000	449,588	1,943,648	272,068
2034 - 2038	-	-	1,627,782	65,291
Total	<u>\$ 10,317,000</u>	<u>\$ 3,524,994</u>	<u>\$ 11,218,906</u>	<u>\$ 2,058,377</u>

The following is a listing of bonds payable outstanding as of June 30, 2018:

	Balance 6/30/18	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.	\$ 3,037,000	\$ 320,000
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	150,000
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.	470,000	50,000
Total bonds payable	<u>\$ 10,787,000</u>	<u>\$ 520,000</u>

TOWN OF CHINO VALLEY, ARIZONA  
 NOTES TO THE FINANCIAL STATEMENTS  
 June 30, 2018

NOTE 5 LONG-TERM DEBT (Continued)

The following is a listing of loans payable outstanding as of June 30, 2018:

Loans payable:	Balance 6/30/18	Due Within One Year
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.	\$ 850,127	\$ 84,510
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.	2,991,118	263,160
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.	2,590,713	129,350
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.	30,528	10,070
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.	4,005,916	157,304
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.	280,504	11,398
Total loans payable - business-type activities	\$ 10,748,906	\$ 655,792

Developer agreements payable outstanding as of June 30, 2018:

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

TOWN OF CHINO VALLEY, ARIZONA  
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NOTE 5 LONG-TERM DEBT (Continued)

Capital leases - In fiscal years 2015 and 2018, the Town entered into lease agreements for capital purchases of \$714,963 and \$825,000, respectively. Such agreements are, in substance, purchases (capital leases) and are reported as capital lease obligations. The leases are payable in annual installments of \$150,283 and \$172,869, respectively. Interest is accrued quarterly at a rate of 1.93% and 1.78%, respectively.

The following schedule presents future minimum lease payments as of June 30, 2018.

Year Ending, June 30	Governmental Activities	Business-type Activities
2019	\$ 276,682	\$ 46,470
2020	180,980	29,460
2021	149,079	23,790
2022	149,079	23,790
2023	37,269	5,948
Total requirements	793,089	129,458
Less interest	27,113	4,368
Present value of remaining payments	<u>\$ 765,976</u>	<u>\$ 125,090</u>

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

Asset		
Vehicles	\$ 1,110,491	\$ 221,493
Equipment	208,363	-
Subtotal	1,318,854	221,493
Less accumulated depreciation	(482,963)	(54,513)
Net	<u>\$ 835,890</u>	<u>\$ 166,980</u>

TOWN OF CHINO VALLEY, ARIZONA  
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 June 30, 2018

NOTE 6 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 \$3,318,550 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 \$56,113 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 \$9,680,751.

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 \$12,917,319. For the current year, principal and interest paid was \$904,701, sewer system customer net revenues were \$1,479,072, and excise taxes and state shared revenues were \$9,680,751.

NOTE 7 INTERFUND RECEIVABLES, PAYABLES AND TRANSFER

As of June 30, 2018, interfund receivables and payables that resulted from various interfund transactions were as follows:

Fund	Receivable Amount	Payable Amount
General Fund	\$ 343,594	\$ -
Grants Fund	-	34,832
Non-Major Governmental Funds	-	996
Water Fund	-	233,932
Sewer Fund	-	73,834
	\$ 343,594	\$ 343,594
Total	\$ 343,594	\$ 343,594

TOWN OF CHINO VALLEY, ARIZONA  
 NOTES TO THE FINANCIAL STATEMENTS  
 June 30, 2018

NOTE 7 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, 2018 are as follows:

Fund	Transfers Out	Transfers In
General Fund	\$ 75,000	\$ 400,000
Debt Service	-	698,000
Capital Improvements	1,123,000	-
Non-Major Governmental Funds	-	75,000
Water Fund	-	25,000
Total	\$ 1,198,000	\$ 1,198,000

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 8 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, 2018, 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	\$ 8,154,169	\$ 502,530	\$ 8,656,699
Deferred outflows of resources	2,269,989	60,386	2,330,375
Deferred inflows of resources	787,757	46,341	834,098
Pension expense	926,899	26,825	953,724

TOWN OF CHINO VALLEY, ARIZONA  
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NOTE 8 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

The Town reported \$1,128,258 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.

TOWN OF CHINO VALLEY, ARIZONA  
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NOTE 8 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

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

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

**Contributions** - In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2018, statute required active ASRS members to contribute at the actuarially determined rate of 11.5 percent (11.34 percent for retirement and 0.16 percent for long-term disability) of the members' annual covered payroll, and statute requires the Town to contribute at the actuarially determined rate of 11.5 percent (10.9 percent for retirement, 0.44 percent for health insurance premium benefit, and 0.16 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, 2018 were \$354,158. The Town's contributions for the current and 2 preceding years for OPEB, all of which were equal to the required contributions, were as follows:

ASRS Year ended June 30	Health Benefit Supplement Fund	Long-Term Disability Fund
2018	\$ 13,550	\$ 4,927
2017	17,059	4,265
2016	15,491	3,718

TOWN OF CHINO VALLEY, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
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NOTE 8 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

During fiscal year 2018, the Town paid for ASRS pension and OPEB contributions as follows: 90 percent from the General Fund, 4 percent from the water fund, and 6 percent from the sewer fund.

**Liability** - At June 30, 2018, the Town reported a liability of \$4,874,372 for its proportionate share of the ASRS' total liability. The total liability was measured as of June 30, 2017. The total pension liability used to calculate the total liability was determined using update procedures to roll forward the total liability from an actuarial valuation as of June 30, 2016, to the measurement date of June 30, 2017. The total pension liability as of June 30, 2017, reflects a change in actuarial assumption related to changes 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, 2017. The Town's proportion measured as of June 30, 2017, was 0.03129 percent, which was an increase of 0.001664 percent from its proportion measured as of June 30, 2016.

The net asset and net liabilities measured as of June 30, 2018, 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 net liabilities as a result of these changes is not known.

The Town's reported liability at June 30, 2018, decreased by \$444,089 from the Town's prior year liability of \$5,318,461 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  
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 June 30, 2018

NOTE 8 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

**Pension Expense and Deferred Outflows/Inflows of Resources** - For the year ended June 30, 2018, the Town recognized pension expense for ASRS of \$579,137. At June 30, 2018, 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	\$ -	\$ 146,161
Changes of assumptions or other inputs	211,705	145,752
Net difference between projected and actual earnings on pension plan investments	34,995	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	72,602	185,915
Town contributions subsequent to the measurement date	<u>335,680</u>	<u>-</u>
Total	<u>\$ 654,982</u>	<u>\$ 477,828</u>

The amounts reported as deferred outflows of resources related to ASRS pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized as expense as follows:

Year ending June 30	
2019	\$ (216,470)
2020	127,239
2021	42,829
2022	(112,124)
Thereafter	-

TOWN OF CHINO VALLEY, ARIZONA  
 NOTES TO THE FINANCIAL STATEMENTS  
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NOTE 8 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, 2016
Actuarial roll forward date	June 30, 2017
Actuarial cost method	Entry age normal
Investment rate of return	8%
Projected salary increases	3 - 6.75% for pensions/not applicable for OPEB
Inflation	3%
Permanent benefit increase	Included for pensions/not applicable for OPEB
Mortality rates	1994 GAM Scale BB
Healthcare cost trend rate	Not applicable

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, 2012.

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.7 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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 8 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 8.7 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 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 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	\$ 6,256,341	\$ 4,874,372	\$ 3,719,618

**Plan Fiduciary Net Position** - Detailed information about the 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 agent and cost-sharing multiple-employer defined benefit pension plans and an agent and cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) 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 8 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:

<b>PSPRS Retirement and Disability</b>	<b>Initial membership date:</b>	
	<b>Before January 1, 2012</b>	<b>On or after January 1, 2012 and before July 1, 2017</b>
Years of service and age required to receive benefit	20 years of service, any age 15 years of service, age 62	25 years or service of 15 years of credited service, 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%	1.5% to 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% to 100% of retired member's pension benefit	
Active Members	80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job.	

TOWN OF CHINO VALLEY, ARIZONA  
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NOTE 8 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Retirement and survivor benefits are subject to automatic cost-of-living adjustments. The adjustments are based on inflation for PSPRS. 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, 2018, the following employees were covered by the agent plans' benefit terms:

	PSPRS Police
Inactive employees or beneficiaries	
currently receiving benefits	11
Inactive employees entitled to	
by not yet receiving benefits	6
Active employees	<u>22</u>
Total	<u><u>39</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, 2018, are indicated below. Rates are a percentage of active members' annual covered payroll.

	PSPRS Police
Active members - Pension	<u>7.65% - 11.65%</u>

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	18.04%
Health insurance permium benefit	0.00%

TOWN OF CHINO VALLEY, ARIZONA  
 NOTES TO THE FINANCIAL STATEMENTS  
 June 30, 2018

NOTE 8 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

The Town's contributions to the plans for the year ended June 30, 2018, were:  
 During fiscal year 2018, the Town paid 100 percent of the PSPRS pension and OPEB contributions from the General Fund.

	PSPRS Police
Pension	
Contributions made	\$ 768,793
Health Insurance Premium Benefit	
Annual OPEB cost contributions made	5,307

**Pension Liability** - At June 30, 2018, the Town reported a PSPRS net pension liabilities of \$3,782,329.

The net liability was measured as of June 30, 2017, and the total liability used to calculate the net liability was determined by an actuarial valuation as of that date. The total pension liability as of June 30, 2017, reflect changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016, including decreasing the investment rate of return from 7.5 percent to 7.4 percent, decreasing the wage inflation from 4 percent to 3.5 percent, and updating mortality, withdrawal, disability, and retirement assumptions. The total pension liabilities for PSPRS also reflect changes of benefit terms for legislation that changed benefit eligibility and multipliers for employees who became members on or after January 1, 2012, and before July 1, 2017, and a court decision that decreased the contribution rates for employees who became members before July 20, 2011. The court decision will also affect the PSPRS net pension liabilities measured as of June 30, 2018, because of refunds of excess member contributions. The change in the Town's PSPRS net pension liabilities as a result of the refunds is not known.

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

PSPRS	
Actuarial valuation date	June 30, 2017
Actuarial cost method	Entry age normal
Investment rate of return	7.40%
Wage inflation	3.5% for pensions/not applicable for OPEB
Price inflation	2.5% for pensions/not applicable for OPEB
Permanent benefit increase	Included for pensions/not applicable for OPEB
Mortality rates	RP-2014 tables using MP-2016 improvement scale with adjustments to match current experience.
Healthcare cost trend rate	Not applicable

TOWN OF CHINO VALLEY, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
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NOTE 8 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

The long-term expected rate of return on PSPRS pension plan investments was determined to be 7.40 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

PSPRS Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return
Short term investments	2%	0.25%
Absolute return	2%	3.75%
Risk parity	4%	5.00%
Fixed income	5%	1.25%
Real assets	9%	4.52%
GTAA	10%	3.96%
Private credit	12%	6.75%
Real estate	10%	3.75%
Credit opportunities	16%	5.83%
Non-U.S. equity	14%	8.70%
U.S. equity	16%	7.60%
Total	100.00%	

**Discount Rates** – At June 30, 2017, the discount rate used to measure the PSPRS total pension liability was 7.40 percent, which was a decrease of 0.1 from the discount rate used as of June 30, 2016. The projection of cash flows used to determine the PSPRS discount rates assumed that plan members contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF CHINO VALLEY, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
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NOTE 8 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

**Changes in the Net Pension Liability**

PSPRS - Police	Pension Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2017	\$ 7,684,130	\$ 4,295,610	\$ 3,388,520
Changes for the year:			
Service Cost	272,925	-	272,925
Interest on the total liability	556,565	-	556,565
Changes of benefit terms	116,070	-	116,070
Differences between expected and actual experience in the measurement of the liability	107,301	-	107,301
Changes of assumptions or other inputs	240,439	-	240,439
Contributions - employer	-	279,960	(279,960)
Contributions - employee	-	136,758	(136,758)
Net investment income	-	497,699	(497,699)
Benefit payments, including refunds of employee contributions	(799,457)	(799,457)	-
Administrative expense	-	(4,804)	4,804
Other changes	-	(10,122)	10,122
Net changes	493,843	100,034	393,809
Balances at June 30, 2018	\$ 8,177,973	\$ 4,395,644	\$ 3,782,329

TOWN OF CHINO VALLEY, ARIZONA  
 NOTES TO THE FINANCIAL STATEMENTS  
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NOTE 8 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 7.40 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 (6.40 percent) or 1 percentage point higher (8.40 percent) than the current rate:

PSPRS - Police	1% Decrease (6.40%)	Current Discount Rate (7.40%)	1% increase (8.40%)
Total pension liability	\$ 9,286,305	\$ 8,177,973	\$ 7,275,363
Plan fiduciary net position	4,395,644	4,395,644	4,395,644
Net pension liability	<u>\$ 4,890,661</u>	<u>\$ 3,782,329</u>	<u>\$ 2,879,719</u>

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

**Expense** - For the year ended June 30, 2018, the Town recognized \$685,346 of PSPRS pension expense.

**Deferred Outflows/Inflows of Resources** - At June 30, 2018, 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	\$ 93,733	\$ 162,052
Changes of assumptions or other inputs	558,192	-
Net difference between projected and actual earnings on pension plan investments	254,636	193,409
Town contributions subsequent to the measurement date	768,793	-
Total	<u>\$ 1,675,354</u>	<u>\$ 355,461</u>

TOWN OF CHINO VALLEY, ARIZONA  
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NOTE 8 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 liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as expenses as follows:

Year ending June 30,	PSPRS Police
2019	\$ 168,359
2020	209,416
2021	103,043
2022	29,520
2023	40,762
Thereafter	-

**Agent plan OPEB actuarial assumptions** - The health insurance premium benefit contribution requirements for the year ended June 30, 2018, were established by the June 30, 2016, 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  
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 June 30, 2018

NOTE 8 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 2018 contribution requirements:

PSPRS - OPEB Contribution Requirements	
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	21 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 80%/120% corridor
Actuarial assumptions:	
Investment rate of return	7.40%
Projected salary increases	2.5% - 8% for PSPRS
Wage growth	3.5% 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
2018	\$ 5,307	100%	\$ -
2017	2,727	100%	-
2016	1,127	100%	-

TOWN OF CHINO VALLEY, ARIZONA  
 NOTES TO THE FINANCIAL STATEMENTS  
 June 30, 2018

NOTE 8 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, 2017, along with the actuarial assumptions and methods used in those valuations follow:

	PSPRS Police
Actuarial value of assets (a)	\$ 251,283
Actuarial accrued liability (b)	\$ 175,165
Unfunded actuarial accrued liability (funded excess) (b) - (a)	\$ (76,118)
Funded ratio (a)/(b)	143.5%
Annual covered payroll (c)	\$ 1,204,435
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	7.40%
Projected salary increases	2.5% - 8% for PSPRS
includes inflation at	3.5% for PSPRS

TOWN OF CHINO VALLEY, ARIZONA  
 NOTES TO THE FINANCIAL STATEMENTS  
 June 30, 2018

NOTE 9 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 10 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, 2018.

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, 2018, the Town's estimated liability is \$223,014 under such agreements.

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

Project	Spent to Date	Remaining Commitment
Road 1 North Signal	75,000	100,000
Wastewater Treatment Plant Drying Bed Project	14,260	120,000
Memory Park Remodel Project	37,130	50,000
Road 1 East & 3 South Project	276,741	250,000
Chino Valley Skate Park	29,434	50,000
Total	\$ 432,565	\$ 570,000

# 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, 2018

Arizona Retirement System	Reporting Fiscal Year (Measurement Date)				2014 through 2009
	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	
Town's proportion of the net pension liability	0.031290%	0.032955%	0.032084%	0.030244%	Information
Town's proportionate share of the net pension liability	\$ 4,874,372	\$ 5,318,461	\$ 4,997,476	\$ 4,475,083	not available
Town's covered payroll	3,105,696	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	156.95%	179.32%	186.56%	196.20%	
Plan fiduciary net position as a percentage of the total pension liability	69.92%	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, 2018

Chino Valley Police Dept. Public Safety Personnel Retirement System	Reporting Fiscal Year (Measurement Date)				2014 through 2009
	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	
Total pension liability					
Service cost	\$ 272,925	\$ 220,166	\$ 208,414	\$ 218,803	Information not available
Interest on the total pension liability	556,565	533,567	508,300	443,158	
Changes on benefit terms	116,070	361,211	-	63,139	
Differences between expected and actual experience in the measurement of the pension liability	107,301	(230,538)	(13,006)	15,592	
Changes of assumptions or other inputs	240,439	269,553	-	509,521	
Benefit payments, including refunds of employee contributions	(799,457)	(313,564)	(461,853)	(368,517)	
Net change in total pension liability	493,843	840,395	241,855	881,696	
Total pension liability - beginning	7,684,130	6,843,735	6,601,880	5,720,184	
Total pension liability - ending (a)	<u>\$ 8,177,973</u>	<u>\$ 7,684,130</u>	<u>\$ 6,843,735</u>	<u>\$ 6,601,880</u>	
Plan fiduciary net position					
Contributions - employer	\$ 279,960	\$ 269,502	\$ 243,794	\$ 208,691	
Contributions - employee	136,758	145,561	143,622	126,689	
Net investment income	497,699	24,661	149,207	498,013	
Benefit payments, including refunds of employee contributions	(799,457)	(313,564)	(461,853)	(368,517)	
Administrative expense	(4,804)	(3,949)	(4,019)	(4,043)	
Other changes	(10,122)	(49,347)	3,414	(120,050)	
Net change in plan fiduciary net position	100,034	72,864	74,165	340,783	
Plan fiduciary net position - beginning	4,295,610	4,222,746	4,148,581	3,807,798	
Plan fiduciary net position - ending (b)	<u>\$ 4,395,644</u>	<u>\$ 4,295,610</u>	<u>\$ 4,222,746</u>	<u>\$ 4,148,581</u>	
Town's net pension liability - ending (a) - (b)	<u>\$ 3,782,329</u>	<u>\$ 3,388,520</u>	<u>\$ 2,620,989</u>	<u>\$ 2,453,299</u>	
Plan fiduciary net position as a percentage of the total pension liability	53.75%	55.90%	61.70%	62.84%	
Covered payroll	\$ 1,044,986	\$ 922,414	\$ 1,091,480	\$ 971,919	
Town's net pension liability as a percentage of covered payroll	361.95%	367.35%	240.13%	252.42%	

TOWN OF CHINO VALLEY, ARIZONA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF TOWN PENSION CONTRIBUTIONS  
 June 30, 2018

Arizona Retirement System	Reporting Fiscal Year					2013 through 2009
	2018	2017	2016	2015	2014	
Statutorily required contribution	\$ 329,008	\$ 334,794	\$ 321,808	\$ 291,712	\$ 244,056	Information not available
Town's contributions in relation to the statutorily required contribution	329,008	334,794	321,808	291,712	244,056	
Town's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	
Town's covered payroll	\$ 3,018,422	\$ 3,105,696	\$ 2,965,972	\$ 2,678,714	\$ 2,280,897	
Town's contributions as a percentage of covered payroll	10.90%	10.78%	10.85%	10.89%	10.70%	
Chino Valley Police Dept. Public Safety Personnel Retirement System	Reporting Fiscal Year					2013 through 2009
	2018	2017	2016	2015	2014	
Actuarially determined contribution	\$ 279,960	\$ 269,502	\$ 243,794	\$ 208,691	\$ 173,196	Information not available
Town's contributions in relation to the actuarially determined contribution	279,960	269,502	243,794	208,691	173,196	
Town's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	
Town's covered payroll	\$ 840,216	\$ 1,044,986	\$ 922,414	\$ 1,091,480	\$ 971,919	
Town's contributions as a percentage of covered payroll	33.32%	25.79%	26.43%	19.12%	17.82%	



TOWN OF CHINO VALLEY, ARIZONA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 NOTES TO PENSION PLAN SCHEDULES  
 June 30, 2018

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-of-pay, closed
Remaining amortization period as of the 2016 actuarial valuation	One year
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	In the 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.5%. In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%
Projected salary increases	In the 2014 actuarial valuation, projected salary increases were decreased from 4.5%-8.5% to 4.0%-8.0% for PSPRS. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%-9.0% to 4.5%-8.5% for PSPRS
Wage growth	In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0% PSPRS. In the 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, 2018

NOTE 2 FACTORS THAT AFFECT TRENDS

Arizona courts have ruled that provisions of a 2011 law that changed the mechanism for funding permanent pension benefit increases and increased employee pension contribution rates were unconstitutional or a breach of contract because those provisions apply to individuals who were members as of the law's effective date. As a result, the PSPRS changed benefit terms to reflect the prior mechanism for funding permanent benefit increases for those members and revised actuarial assumptions to explicitly value future permanent benefit increases. PSPRS also reduced those members' employee contribution rates. These changes are reflected in the plans' pension liabilities for fiscal year 2015 (measurement date 2014) for members who were retired as of the law's effective date and fiscal year 2018 (measurement date 2017) for members who retired or will retire after the law's effective date. These changes also increased the PSPRS-required pension contributions beginning in fiscal year 2016 for members who were retired as of the law's effective date. These changes will increase the PSPRS-required contributions beginning in fiscal year 2019 for members who retired or will retire after the law's effective date. Also, the Town refunded excess employee contributions to PSPRS members. PSPRS allowed the Town to reduce its actual employer contributions for the refund amounts. As a result, the Town's pension contributions were less than the actuarially or statutorily determined contributions for 2018.

TOWN OF CHINO VALLEY, ARIZONA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF AGENT OPEB PLANS' FUNDING PROGRESS  
 June 30, 2018

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						
6/30/2017	\$ 260,399	\$ 175,165	\$ (85,234)	148.66%	\$ 1,204,435	0.00%
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%

The health insurance subsidy payment reported for FY 2017 was \$8,382



# **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

- **Impact Fees Fund** - This fund accounts for development impact fees earmarked for the development of Town roads, police department facilities, library facilities, parks and recreation facilities.



TOWN OF CHINO VALLEY, ARIZONA  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 June 30, 2018

	Special Revenue		Capital Projects	Total
	Highway User Revenue Fund	Street Lighting Improvement District	Impact Fees	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 811,731	\$ 4	\$ 510,575	\$ 1,322,310
Receivables, net:				
Accounts receivable	-	41	-	41
Intergovernmental	89,962	-	-	89,962
<b>Total assets</b>	<b>\$ 901,693</b>	<b>\$ 45</b>	<b>\$ 510,575</b>	<b>\$ 1,412,313</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 2,632	\$ -	\$ -	\$ 2,632
Accrued wages and benefits	10,784	-	-	10,784
Accrued liabilities	56	-	-	56
<b>Total liabilities</b>	<b>13,472</b>	<b>-</b>	<b>-</b>	<b>13,472</b>
<b>FUND BALANCES</b>				
Restricted				
Highways and streets	888,221	45	-	888,266
Capital improvements	-	-	510,575	510,575
<b>Total fund balances</b>	<b>888,221</b>	<b>45</b>	<b>510,575</b>	<b>1,398,841</b>
<b>Total liabilities and fund balances</b>	<b>\$ 901,693</b>	<b>\$ 45</b>	<b>\$ 510,575</b>	<b>\$ 1,412,313</b>

TOWN OF CHINO VALLEY, ARIZONA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 NON-MAJOR GOVERNMENTAL FUNDS  
 Year Ended June 30, 2018

	Special Revenue		Capital Projects	Total
	Highway Revenue Fund	User Street Lighting Improvement District	Impact Fees	
<b>REVENUES</b>				
Taxes	\$ -	\$ 3,999	\$ -	\$ 3,999
Licenses and permits	2,643	-	-	2,643
Intergovernmental	941,628	-	-	941,628
Interest	5,294	-	5,791	11,085
Other revenues	730	-	277	1,007
<b>Total revenues</b>	<b>950,295</b>	<b>3,999</b>	<b>6,068</b>	<b>960,362</b>
<b>EXPENDITURES</b>				
Current:				
Public works/streets	752,066	3,991	-	756,057
Capital outlay	58,457	-	18,615	77,072
Debt service:				
Principal retirement	114,246	-	-	114,246
Interest and fiscal charges	5,965	-	-	5,965
<b>Total expenditures</b>	<b>930,734</b>	<b>3,991</b>	<b>18,615</b>	<b>953,340</b>
Excess of revenues over (under) expenditures	19,561	8	(12,547)	7,022
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of capital assets	118,256	-	-	118,256
Transfers in	75,000	-	-	75,000
<b>Total other financing sources (uses)</b>	<b>193,256</b>	<b>-</b>	<b>-</b>	<b>193,256</b>
<b>Net change in fund balances</b>	<b>212,817</b>	<b>8</b>	<b>(12,547)</b>	<b>200,278</b>
Fund balances - beginning of year	675,404	37	523,122	1,198,563
<b>Fund balances - end of year</b>	<b>\$ 888,221</b>	<b>\$ 45</b>	<b>\$ 510,575</b>	<b>\$ 1,398,841</b>

# **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, 2018

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget- Positive (Negative)
REVENUES				
Interest	\$ -	\$ -	\$ 7	\$ 7
EXPENDITURES				
Debt service:				
Principal retirement	309,000	309,000	309,000	-
Interest and fiscal charges	389,000	389,000	390,239	(1,239)
Total expenditures	698,000	698,000	699,239	(1,239)
Excess (deficiency) of revenues over (under) expenditures	(698,000)	(698,000)	(699,232)	(1,232)
OTHER FINANCING SOURCES (USES)				
Transfers in	698,000	698,000	698,000	-
Total other financing sources and uses	698,000	698,000	698,000	-
Net change in fund balance	-	-	(1,232)	(1,232)
Fund balance - beginning of year	457,027	457,027	457,027	-
Fund balance - end of year	\$ 457,027	\$ 457,027	\$ 455,795	\$ (1,232)

TOWN OF CHINO VALLEY, ARIZONA  
 CAPITAL IMPROVEMENTS  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL  
 Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
City sales tax	\$ 1,398,900	\$ 1,398,900	\$ 1,578,024	\$ 179,124
Intergovernmental revenues	2,110,000	2,110,000	14,216	(2,095,784)
Interest	-	-	3,066	3,066
Total revenues	<u>3,508,900</u>	<u>3,508,900</u>	<u>1,595,306</u>	<u>(1,913,594)</u>
<b>EXPENDITURES</b>				
Capital outlay	3,496,500	3,496,500	979,730	2,516,770
Debt service:				
Debt issuance cost	-	-	2,000	(2,000)
Total expenditures	<u>3,496,500</u>	<u>3,496,500</u>	<u>981,730</u>	<u>2,516,770</u>
Excess of revenues over (under) expenditures	<u>12,400</u>	<u>12,400</u>	<u>613,576</u>	<u>603,176</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Capital lease agreement	615,000	615,000	711,464	96,464
Debt proceeds	9,000,000	9,000,000	-	(9,000,000)
Transfers in	498,000	498,000	-	(498,000)
Transfers out	<u>(1,123,000)</u>	<u>(1,123,000)</u>	<u>(1,123,000)</u>	<u>-</u>
Total other financing sources (uses):	<u>8,990,000</u>	<u>8,990,000</u>	<u>(411,536)</u>	<u>(9,401,536)</u>
Net change in fund balance	9,002,400	9,002,400	202,040	(8,798,360)
Fund balance - beginning of year	<u>919,592</u>	<u>919,592</u>	<u>919,592</u>	<u>-</u>
Fund balance - end of year	<u>\$ 9,921,992</u>	<u>\$ 9,921,992</u>	<u>\$ 1,121,632</u>	<u>\$ (8,798,360)</u>

# **Other Supplementary Information**

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## **BUDGETARY COMPARISON SCHEDULES**

NON- MAJOR GOVERNMENTAL FUND

TOWN OF CHINO VALLEY, ARIZONA  
HIGHWAY USER REVENUE  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget- Positive (Negative)
<b>REVENUES</b>				
Licenses and permits	\$ 1,500	\$ 1,500	\$ 2,643	\$ 1,143
Intergovernmental revenues	920,000	920,000	941,628	21,628
Interest	1,500	1,500	5,294	3,794
Other revenues	-	-	730	730
Total revenues	<u>923,000</u>	<u>923,000</u>	<u>950,295</u>	<u>27,295</u>
<b>EXPENDITURES</b>				
Public works/streets:				
Salaries	386,791	386,791	283,960	102,831
Employee Benefits	135,609	135,609	119,145	16,464
Utilities	10,500	10,500	12,582	(2,082)
Services, supplies and other	316,000	316,000	336,379	(20,379)
Contingencies	47,000	47,000	-	47,000
Capital outlay	54,910	54,910	58,457	(3,547)
Debt service:				
Principal retirement	119,000	119,000	120,211	(1,211)
Total expenditures	<u>1,069,810</u>	<u>1,069,810</u>	<u>930,734</u>	<u>139,076</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(146,810)</u>	<u>(146,810)</u>	<u>19,561</u>	<u>166,371</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of capital assets	-	-	118,256	118,256
Transfers in	75,000	75,000	75,000	-
Total other financing sources and (uses)	<u>75,000</u>	<u>75,000</u>	<u>193,256</u>	<u>118,256</u>
Net change in fund balance	(71,810)	(71,810)	212,817	284,627
Fund balance - beginning of year	675,404	675,404	675,404	-
Fund balance - end of year	<u>\$ 603,594</u>	<u>\$ 603,594</u>	<u>\$ 888,221</u>	<u>\$ 284,627</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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 4,000	\$ 4,000	\$ 3,999	\$ (1)
Total revenues	<u>4,000</u>	<u>4,000</u>	<u>3,999</u>	<u>(1)</u>
EXPENDITURES				
Current:				
Public works/streets	4,000	4,000	3,991	9
Total expenditures	<u>4,000</u>	<u>4,000</u>	<u>3,991</u>	<u>9</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>8</u>	<u>8</u>
Fund balance - beginning of year	<u>37</u>	<u>37</u>	<u>37</u>	<u>-</u>
Fund balance - end of year	<u>\$ 37</u>	<u>\$ 37</u>	<u>\$ 45</u>	<u>\$ 8</u>

TOWN OF CHINO VALLEY, ARIZONA  
IMPACT FEES CAPITAL PROJECT FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget- Positive (Negative)
REVENUES				
Interest	\$ -	\$ -	\$ 5,791	\$ 5,791
Other revenues	-	-	277	277
Total revenues	-	-	6,068	6,068
EXPENDITURES				
Capital outlay	-	-	18,615	(18,615)
Total expenditures	-	-	18,615	(18,615)
Excess (deficiency) of revenues over (under) expenditures	-	-	(12,547)	(12,547)
Other Financing Sources (uses)				
Transfers out	(498,000)	(498,000)	-	498,000
Net change in fund balance	(498,000)	(498,000)	(12,547)	485,453
Fund balance - beginning of year	523,122	523,122	523,122	-
Fund balance - end of year	\$ 25,122	\$ 25,122	\$ 510,575	\$ 485,453

# Statistical Section

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<u>Contents</u>	<u>Pages</u>
Financial Trends These schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.	104-113
Revenue Capacity These schedules contain information to help the reader assess the Town's most significant local revenue sources, property tax and sales and uses taxes.	115-123
Debt Capacity These schedules present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future.	124-131
Demographic and Economic Statistics These schedules offer economic and demographic indicators to help the reader understand the environment within which the Town's financial activities take place.	133-135
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the Town's financial report relates to the services the Town provides and the activities it performs.	136-143

**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)**

	2009	2010	2011	2012
<b>Governmental Activities</b>				
Net Investment in Capital Assets:	\$ 2,028,364	\$ 1,800,961	\$ 1,335,678	\$ 1,484,070
Restricted	6,668,333	6,207,107	4,732,926	4,280,241
Unrestricted	1,809,426	2,144,281	2,375,715	2,430,076
Total Governmental Activities Net Position	<u>\$ 10,506,123</u>	<u>\$ 10,152,349</u>	<u>\$ 8,444,319</u>	<u>\$ 8,194,387</u>
<b>Business-type activities</b>				
Net Investment in Capital Assets:	\$ 16,782,113	\$ 18,486,662	\$ 17,662,445	\$ 17,042,946
Restricted	231,283	379,394	459,182	458,987
Unrestricted	(2,992,737)	(3,022,133)	(3,193,523)	(3,399,728)
Total Business-Type Activities Net Position	<u>\$ 14,020,659</u>	<u>\$ 15,843,923</u>	<u>\$ 14,928,104</u>	<u>\$ 14,102,205</u>
<b>Primary government</b>				
Net Investment in Capital Assets:	\$ 18,810,477	\$ 20,287,623	\$ 18,998,123	\$ 18,527,016
Restricted	6,899,616	6,586,501	5,192,108	4,739,228
Unrestricted	(1,183,311)	(877,852)	(817,808)	(969,652)
	<u>\$ 24,526,782</u>	<u>\$ 25,996,272</u>	<u>\$ 23,372,423</u>	<u>\$ 22,296,592</u>

2013	2014	2015	2016	2017	2018
\$ 2,509,616	\$ 3,960,511	\$ 4,343,890	\$ 5,424,332	\$ 6,027,754	\$ 6,693,892
3,556,297	3,331,847	1,821,510	1,327,962	1,769,920	2,355,810
3,485,697	3,189,272	(900,628)	(394,472)	(154,836)	666,822
<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>	<u>\$ 9,716,524</u>
\$ 16,360,590	\$ 15,658,866	\$ 16,458,815	\$ 16,077,901	\$ 16,106,276	\$ 15,502,227
524,391	637,600	750,922	482,116	588,280	730,932
(3,906,099)	(4,386,202)	(4,991,149)	(4,665,739)	(4,782,941)	(3,812,291)
<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>	<u>\$ 12,420,868</u>
\$ 18,870,206	\$ 19,619,377	\$ 20,802,705	\$ 21,502,233	\$ 22,134,030	\$ 22,196,119
4,080,688	3,969,447	2,572,432	1,810,078	2,358,200	3,086,742
(420,402)	(1,196,930)	(5,891,777)	(5,060,211)	(4,937,777)	(3,145,469)
<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>	<u>\$ 22,137,392</u>

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

	2009	2010	2011	2012
<b>Expenses</b>				
Governmental activities:				
General Government	\$ 1,678,308	\$ 2,911,780	\$ 3,115,747	\$ 2,867,718
Public Safety	2,943,285	2,678,291	2,750,768	2,467,357
Streets	1,051,760	1,778,978	1,531,504	707,108
Culture and Recreation	1,345,011	1,254,221	1,390,896	1,226,036
Health and Welfare	260,604	212,537	247,530	232,990
Interest on Long-Term Debt	26,742	20,867	1,266,752	514,714
Total Governmental Activities Expenses	<u>7,305,710</u>	<u>8,856,674</u>	<u>10,303,197</u>	<u>8,015,923</u>
Business-Type Activities:				
Water	757,920	512,123	667,534	655,975
Sewer	1,534,611	2,097,818	2,192,778	2,187,974
Total Business-Type Activities Expenses	<u>2,292,531</u>	<u>2,609,941</u>	<u>2,860,312</u>	<u>2,843,949</u>
Total Primary Government Expenses	<u>\$ 9,598,241</u>	<u>\$ 11,466,615</u>	<u>\$ 13,163,509</u>	<u>\$ 10,859,872</u>
<b>Program Revenues</b>				
Governmental Activities:				
Charges for Services:				
General Government	\$ 351,583	\$ 239,945	\$ 243,740	\$ 356,527
Public Safety	212,815	178,412	178,644	162,082
Streets	-	5,570	1,719	1,504
Culture and Recreation	48,825	63,581	80,687	86,244
Health and Welfare	24,601	13,161	12,078	11,188
Operating Grants and Contributions	1,423,164	1,436,082	1,345,516	1,199,771
Capital Grants and Contributions	220,362	212,012	606,874	206,591
Total Governmental Activities Program Revenues	<u>2,281,350</u>	<u>2,148,763</u>	<u>2,469,258</u>	<u>2,023,907</u>
Business-Type Activities:				
Charges for Services:				
Water	434,025	390,036	406,119	416,219
Sewer	863,450	1,025,172	1,103,636	1,088,471
Operating Grants and Contributions	172,473	-	-	177,612
Capital Grants and Contributions	4,448,641	2,358,756	135,718	58,538
Total Business-Type Activities Program Revenues	<u>5,918,589</u>	<u>3,773,964</u>	<u>1,645,473</u>	<u>1,740,840</u>
Total Primary Government Program Revenues	<u>\$ 8,199,939</u>	<u>\$ 5,922,727</u>	<u>\$ 4,114,731</u>	<u>\$ 3,764,747</u>

	2013	2014	2015	2016	2017	2018
\$	3,015,601	\$ 3,414,324	\$ 3,457,971	\$ 4,264,993	\$ 4,284,837	\$ 3,949,112
	2,472,409	2,414,104	3,015,691	2,978,132	3,628,745	3,407,618
	721,841	1,301,632	1,440,937	1,186,710	966,821	1,284,759
	1,198,383	1,200,623	1,235,085	1,363,577	1,439,661	1,506,765
	239,226	256,884	251,416	316,355	330,967	326,057
	508,898	569,141	717,706	239,804	480,172	425,986
	<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>	<u>10,900,297</u>
	733,396	809,977	770,833	673,242	666,234	669,992
	<u>2,221,272</u>	<u>2,459,646</u>	<u>2,461,103</u>	<u>2,294,822</u>	<u>2,156,401</u>	<u>2,223,493</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>2,893,485</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>	<u>\$ 13,793,782</u>
\$	546,893	\$ 270,586	\$ 285,887	\$ 403,032	\$ 613,638	\$ 871,586
	169,389	159,271	191,141	224,484	251,450	229,547
	10,985	8,200	15,654	1,589	5,998	3,373
	88,189	87,724	84,730	69,494	87,509	89,211
	9,281	5,647	6,267	17,607	12,066	6,619
	1,006,900	1,144,777	1,292,377	1,341,035	2,501,622	1,377,047
	1,003,311	593,475	805,730	685,895	176,255	735,945
	<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>	<u>3,313,328</u>
	439,577	380,619	422,006	526,195	508,363	594,252
	1,069,377	1,218,343	1,417,253	1,425,450	1,406,137	1,479,072
	-	-	-	-	-	-
	<u>114,730</u>	<u>367,470</u>	<u>192,425</u>	<u>157,938</u>	<u>570,089</u>	<u>1,209,443</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>3,282,767</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>	<u>\$ 6,596,095</u>

(Continued)

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

	2009	2010	2011	2012
<b>Net (expense)/revenue</b>				
Governmental Activities	\$ (5,024,360)	\$ (6,707,911)	\$ (7,833,939)	\$ (5,992,016)
Business-Type Activities	3,626,058	1,164,023	(1,214,839)	(1,103,109)
<b>Total Primary Government Net Expense</b>	<b>\$ (1,398,302)</b>	<b>\$ (5,543,888)</b>	<b>\$ (9,048,778)</b>	<b>\$ (7,095,125)</b>
<b>General Revenues and Other Changes in Net Position</b>				
Governmental Activities:				
City Sales Tax	\$ 4,434,620	\$ 3,571,732	\$ 3,379,524	\$ 3,507,894
State Sales taxes	980,616	904,475	932,899	845,244
Auto Lieu Tax	727,395	669,831	656,953	555,907
State Income Tax-Revenue Sharing	1,836,536	1,591,287	1,199,626	912,963
Property tax	-	3,375	3,770	4,042
Franchise tax	151,439	147,167	142,101	138,431
Impact Fees	-	-	-	-
Other	-	-	-	-
Unrestricted Investment Earnings	74,574	9,992	72,706	11,824
Gain on Sale of Assets	(3,436)	77,140	-	9,795
Transfers	(1,110,331)	(620,862)	(261,670)	(244,016)
<b>Total Governmental Activities</b>	<b>7,091,413</b>	<b>6,354,137</b>	<b>6,125,909</b>	<b>5,742,084</b>
Business-Type Activities:				
Unrestricted Investment Earnings	40,115	38,379	37,350	33,194
Grants and Contributions not restricted				
Gain on Sale of Assets	-	-	-	-
Special items	-	-	-	-
Transfers	1,110,331	620,862	261,670	244,016
<b>Total Business-Type Activities</b>	<b>1,150,446</b>	<b>659,241</b>	<b>299,020</b>	<b>277,210</b>
<b>Total Primary Government</b>	<b>\$ 8,241,859</b>	<b>\$ 7,013,378</b>	<b>\$ 6,424,929</b>	<b>\$ 6,019,294</b>
<b>Change in Net Position</b>				
Governmental Activities	\$ 2,067,053	\$ (353,774)	\$ (1,708,030)	\$ (249,932)
Business-Type Activities	4,776,504	1,823,264	(915,819)	(825,899)
<b>Total Primary Government</b>	<b>\$ 6,843,557</b>	<b>\$ 1,469,490</b>	<b>\$ (2,623,849)</b>	<b>\$ (1,075,831)</b>

2013	2014	2015	2016	2017	2018
\$ (5,321,410)	\$ (6,887,028)	\$ (7,437,020)	\$ (7,606,435)	\$ (7,482,665)	\$ (7,586,969)
(1,330,984)	(1,303,191)	(1,200,252)	(858,481)	(338,046)	389,282
<u>\$ (6,652,394)</u>	<u>\$ (8,190,219)</u>	<u>\$ (8,637,272)</u>	<u>\$ (8,464,916)</u>	<u>\$ (7,820,711)</u>	<u>\$ (7,197,687)</u>
\$ 3,882,227	\$ 5,147,065	\$ 5,078,635	\$ 5,455,413	\$ 5,603,710	\$ 6,312,095
885,391	941,542	1,309,465	1,022,547	1,020,252	1,084,425
564,341	596,994	629,553	680,388	712,352	766,485
1,104,933	1,205,692	988,552	1,302,365	1,362,532	1,393,419
3,809	3,682	4,028	3,994	3,996	3,999
133,055	135,183	125,124	136,036	117,715	124,327
-	-	-	-	-	-
-	-	377	-	-	-
14,498	2,775	6,590	8,486	22,124	62,015
-	4,115	(19,073)	-	-	-
(362,988)	(220,000)	(280,700)	(150,000)	(75,000)	(25,000)
<u>6,225,266</u>	<u>7,817,048</u>	<u>7,842,551</u>	<u>8,459,229</u>	<u>8,767,681</u>	<u>9,721,765</u>
27,827	14,573	676	1,671	2,724	8,504
-	-	620	-	-	-
-	-	1,660,154	382,500	277,659	86,467
362,988	220,000	280,700	150,000	75,000	25,000
<u>390,815</u>	<u>234,573</u>	<u>1,942,150</u>	<u>534,171</u>	<u>355,383</u>	<u>119,971</u>
<u>\$ 6,616,081</u>	<u>\$ 8,051,621</u>	<u>\$ 9,784,701</u>	<u>\$ 8,993,400</u>	<u>\$ 9,123,064</u>	<u>\$ 9,841,736</u>
\$ 903,856	\$ 930,020	\$ 405,531	\$ 852,794	\$ 1,285,016	\$ 2,134,796
(940,169)	(1,068,618)	741,898	(324,310)	17,337	509,253
<u>\$ (36,313)</u>	<u>\$ (138,598)</u>	<u>\$ 1,147,429</u>	<u>\$ 528,484</u>	<u>\$ 1,302,353</u>	<u>\$ 2,644,049</u>

(Concluded)

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

	2009	2010	2011	2012	2013
<b>General Fund</b>					
Nonspendable	\$ -	\$ -	\$ 7,732	\$ 2,208	\$ 7,039
Restricted	2,112	11,240	-	109,383	212,680
Assigned	-	-	-	-	-
Unassigned	2,218,190	2,578,941	2,715,237	2,716,403	3,092,751
<b>Total General Fund</b>	<b>\$ 2,220,302</b>	<b>\$ 2,590,181</b>	<b>\$ 2,722,969</b>	<b>\$ 2,827,994</b>	<b>\$ 3,312,470</b>
<b>All other Governmental Funds</b>					
Restricted:					
Highways and Streets	\$ 997,827	\$ 1,486,838	\$ 638,866	\$ 747,681	\$ 923,837
Development Impact Fees	5,637,347	4,639,329	3,075,999	2,895,908	2,138,187
Debt Service	-	-	374,013	499,053	285,557
Public Safety	-	-	-	70,327	136,504
Grants	-	-	118,198	-	-
Other Purposes	31,047	69,700	-	-	-
Assigned for:					
Capital Improvements	-	-	518,462	304,452	129,103
Unassigned:	-	-	(344)	-	-
<b>Total all other Governmental Funds</b>	<b>\$ 6,666,221</b>	<b>\$ 6,195,867</b>	<b>\$ 4,725,194</b>	<b>\$ 4,517,421</b>	<b>\$ 3,613,188</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.

2014	2015	2016	2017	2018
\$ 5,078	\$ 4,060	\$ 43,818	\$ 1,302,226	\$ 327,562
217,775	301,854	322,353	114,330	140,339
-	-	-	192,946	250,027
3,830,737	4,349,040	5,064,810	4,575,991	6,591,840
<u>\$ 4,053,590</u>	<u>\$ 4,654,954</u>	<u>\$ 5,430,981</u>	<u>\$ 6,185,493</u>	<u>\$ 7,309,768</u>
\$ 680,219	\$ 463,774	\$ 456,204	\$ 760,071	\$ 953,266
1,475,498	606,592	566,191	523,122	510,575
292,213	614,924	128,707	457,027	455,795
51,085	24,507	46,099	59,428	45,162
-	-	-	-	-
2,464	7,673	40,385	32,354	11,601
488,624	589,530	683,648	919,592	1,182,742
-	293	109	(631,902)	536
<u>\$ 2,990,103</u>	<u>\$ 2,307,293</u>	<u>\$ 1,921,343</u>	<u>\$ 2,119,692</u>	<u>\$ 3,159,677</u>

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

	2009	2010	2011	2012
<b>Revenues</b>				
Taxes	\$ 4,586,059	\$ 3,722,276	\$ 3,525,394	\$ 3,650,366
Licenses and Permits	223,658	174,077	177,433	281,820
Intergovernmental	4,872,059	4,750,169	4,664,352	3,541,795
Charges for Services	137,874	107,176	123,242	150,323
Fines and Forfeitures	272,281	215,818	211,102	183,666
Impact Fees	126,014	22,522	-	11,132
Interest	74,574	9,992	72,706	11,824
Other Revenues	194,010	44,592	54,608	169,286
<b>Total Revenues</b>	<b>\$ 10,486,529</b>	<b>\$ 9,046,622</b>	<b>\$ 8,828,837</b>	<b>\$ 8,000,212</b>
<b>Expenditures</b>				
Current:				
General Government	\$ 3,149,155	\$ 2,781,391	\$ 3,229,263	\$ 2,774,513
Public Safety	2,767,352	2,570,408	2,621,419	2,459,829
Public Works	685,248	478,017	1,350,212	559,413
Culuture and Recreation	976,041	900,389	1,020,998	959,040
Health and Welfare	226,030	177,330	213,973	211,961
Capital Outlay	394,839	1,551,991	1,223,077	306,271
Debt service				
Principal	-	-	7,280,000	153,979
Interest	163,522	143,849	257,403	464,651
Debt issuance cost	-	-	-	-
<b>Total Expenditures</b>	<b>8,362,187</b>	<b>8,603,375</b>	<b>17,196,345</b>	<b>7,889,657</b>
Revenues over (under) Expenditures	2,124,342	443,247	(8,367,508)	110,555
<b>Other Finance Sources (Uses)</b>				
Capital lease agreeemnt				
Sale of Assets	57,896	77,140	11,293	30,713
Bond Proceeds	-	-	7,280,000	-
Payment to refunded debt escrow agent				
Transfers in	364,768	429,833	1,666,199	1,321,598
Transfers out	(1,475,099)	(1,050,695)	(1,927,869)	(1,565,614)
<b>Total other Finance Scources (uses)</b>	<b>(1,052,435)</b>	<b>(543,722)</b>	<b>7,029,623</b>	<b>(213,303)</b>
<b>Net Change in Fund Balances</b>	<b>\$ 1,071,907</b>	<b>\$ (100,475)</b>	<b>\$ (1,337,885)</b>	<b>\$ (102,748)</b>
Debt Service as a Percentage of Noncapital Expenditures	2.48%	1.78%	46.93%	8.47%

2013	2014	2015	2016	2017	2018
\$ 4,019,091	\$ 5,285,931	\$ 5,207,787	\$ 5,595,443	\$ 5,725,421	\$ 6,440,421
178,614	250,285	276,828	352,447	561,146	709,765
4,443,541	4,252,919	4,676,970	4,906,700	5,185,879	5,868,265
438,798	93,961	94,270	122,960	115,633	124,458
192,564	176,986	208,163	247,977	296,591	275,315
29,764	194,873	2,712	-	-	-
14,498	2,775	6,590	8,486	22,124	62,015
106,335	44,879	38,413	54,354	37,343	88,291
<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>	<u>\$ 13,568,530</u>
\$ 2,831,438	\$ 3,309,301	\$ 3,339,953	\$ 3,913,936	\$ 3,900,208	\$ 3,937,694
2,402,089	2,565,994	2,814,077	2,727,591	2,935,355	3,322,163
587,631	1,037,923	1,182,221	731,692	524,963	756,057
827,282	824,111	871,535	964,652	988,361	1,055,044
227,476	249,419	378,921	402,424	316,045	361,111
1,981,052	1,408,246	1,931,282	1,069,811	1,727,192	1,916,593
37,028	65,000	75,000	3,960,916	127,603	534,791
586,858	509,000	341,721	504,370	398,680	403,861
-	-	-	65,714	-	2,000
<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>	<u>12,289,314</u>
(57,649)	333,615	(422,977)	(3,052,739)	1,025,730	1,279,216
		607,448	-	-	772,574
879	4,420	14,783	6,560	2,131	137,470
-	-	-	3,346,000	-	-
1,023,203	1,394,732	1,684,779	1,095,167	1,252,000	1,173,000
(1,386,191)	(1,614,732)	(1,965,479)	(1,245,167)	(1,327,000)	(1,198,000)
<u>(362,109)</u>	<u>(215,580)</u>	<u>341,531</u>	<u>3,202,560</u>	<u>(72,869)</u>	<u>885,044</u>
<u>\$ (419,758)</u>	<u>\$ 118,035</u>	<u>\$ (81,446)</u>	<u>\$ 149,821</u>	<u>\$ 952,861</u>	<u>\$ 2,164,260</u>
8.38%	6.84%	4.46%	34.99%	5.67%	8.82%



**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	
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%
2017-2018	76,175,662	652,618,898	91,475,024	773,511,955	12%

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**

<u>Tax Authority</u>	<u>2008-2009</u>	<u>2009-2010</u>	<u>2010-2011</u>	<u>2011-2012</u>	<u>2012-2013</u>
Town of Chino Valley	-	-	-	-	-
Yavapai County	1.3683	1.2842	1.3524	1.4305	1.6426
School Equalization	-	0.3306	0.3564	0.4259	0.4717
Yavapai College	1.1989	1.1250	1.2046	1.4274	1.6725
Chino Valley School District	3.1492	3.3696	2.7647	3.7791	4.2320
Total Primary	<u>5.7164</u>	<u>6.1094</u>	<u>5.6781</u>	<u>7.0629</u>	<u>8.0188</u>

Source: Yavapai County Treasurer

<u>2013-2014</u>	<u>2014-2015</u>	<u>2015-2016</u>	<u>2016-2017</u>	<u>2017-2018</u>
-	-	-	-	-
1.9308	1.9442	1.9317	1.9027	1.7788
0.5123	0.5089	0.5054	0.5010	0.4741
1.8241	1.8606	1.8721	1.8439	1.7584
4.9640	5.0146	4.4236	4.6005	4.2808
<u>9.2312</u>	<u>9.3283</u>	<u>8.7328</u>	<u>8.8481</u>	<u>8.2921</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**

<u>Tax Authority</u>	<u>2008-2009</u>	<u>2009-2010</u>	<u>2010-2011</u>	<u>2011-2012</u>	<u>2012-2013</u>
Town of Chino Valley	-	-	-	-	-
Fire District Assistance	0.0722	0.0740	0.0813	0.0928	0.1000
Flood Control District	0.1723	0.1723	0.1994	0.2483	0.2963
Library District	0.1020	0.1016	0.1188	0.1456	0.1660
Yavapai College	0.1405	0.1367	0.1563	0.1901	0.2150
Chino Valley School District	0.5245	0.5486	0.5747	0.6739	0.7845
Chino Valley Fire District	2.1280	2.1400	2.3250	2.8220	3.4531
Total Secondary	<u>3.1395</u>	<u>3.1732</u>	<u>3.4555</u>	<u>4.1727</u>	<u>5.0149</u>

Source: Yavapai County Treasurer

<u>2013-2014</u>	<u>2014-2015</u>	<u>2015-2016</u>	<u>2016-2017</u>	<u>2017-2018</u>
-	-	-	-	-
0.1000	0.1000	0.1000	0.1000	0.1000
0.2162	0.2116	0.1976	0.2346	0.2188
0.1491	0.1500	0.1907	0.1815	0.1720
0.2227	0.2231	0.2122	0.1815	0.1892
0.0500	0.0500	0.0500	0.0500	0.0500
3.5799	3.5799	3.6175	3.6175	3.5986
<u>4.3179</u>	<u>4.3146</u>	<u>4.3680</u>	<u>4.3651</u>	<u>4.3286</u>

**Town of Chino Valley, Arizona**  
**Table 8**  
**Sales Tax Revenues by Industry**  
**Fiscal Years 2018, 2017, 2016, 2015, 2014, 2013, 2012, and 2011**

	Fiscal Year 2009-2010		Fiscal Year 2010-2011		Fiscal Year 2011-2012		Fiscal Year 2012-2013	
	Tax Paid	Percentage of Total						
Construction	\$ 375,076	10.51%	\$ 165,563	4.90%	\$ 187,286	5.34%	\$ 428,058	11.03%
Manufacturing	58,754	1.65%	67,278	1.99%	53,107	1.51%	67,869	1.75%
Transportation/ Communication/Utilities	650,060	18.21%	605,846	17.93%	634,512	18.09%	639,694	16.48%
Wholesale Trade	121,368	3.40%	118,221	3.50%	140,008	3.99%	135,349	3.49%
Retail Trade	1,685,231	47.20%	1,670,215	49.42%	1,758,983	50.14%	1,787,495	46.04%
Restaurants/Bars	274,082	7.68%	286,598	8.48%	291,732	8.32%	298,752	7.70%
Insurance/Real Estate	264,447	7.41%	248,979	7.37%	262,331	7.48%	273,188	7.04%
Services	60,323	1.69%	68,179	2.02%	88,126	2.51%	101,702	2.62%
All Other	80,827	2.26%	148,645	4.40%	91,809	2.62%	150,121	3.87%
<b>Total</b>	<b>\$ 3,570,169</b>	<b>100.00%</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		Fiscal Year 2017-18	
Tax Paid	Percentage of Total	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%	\$ 846,851	16.67%
67,904	1.38%	74,890	1.47%	78,910	1.55%	30,895	0.61%	112,066	2.21%
817,254	16.59%	764,228	15.05%	798,024	15.71%	694,022	13.67%	730,917	14.39%
169,475	3.44%	167,135	3.29%	129,501	2.55%	-	0.00%	118,731	2.34%
2,457,281	49.87%	2,606,219	51.32%	2,735,267	53.86%	3,171,921	62.46%	3,350,891	65.98%
415,200	8.43%	477,722	9.41%	501,100	9.87%	573,858	11.30%	600,046	11.82%
332,480	6.75%	335,282	6.60%	348,577	6.86%	378,261	7.45%	399,797	7.87%
128,676	2.61%	125,529	2.47%	130,589	2.57%	144,015	2.84%	139,351	2.74%
174,950	3.55%	182,181	3.59%	282,941	5.57%	89,468	1.76%	13,446	0.26%
<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>\$ 5,578,040</u>	<u>109.83%</u>	<u>\$ 6,312,096</u>	<u>124.29%</u>

**Town of Chino Valley, Arizona**  
**Table 9**  
**Direct and Overlapping Sales Tax Rates**  
**As of June 30, 2018**

	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
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	5,578,040	117,715	1,020,252	1,362,532	712,352	8,790,890
2017-2018	6,312,096	124,329	1,084,425	1,393,419	766,485	9,680,754

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
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
2017-2018	765,976	10,317,000	-	125,090	-	10,748,904

(a) See page 86 for population data.

\* Means no data available during that fiscal year.

Business-Type Activities			Total Primary Government	Percentage of Personal Income	Per Capita (a)
Related Party Capital Leases	Revenue Bonds	Developer Agreement			
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
-	470,751	420,733	22,848,454	*	2,052
-					



**Town of Chino Valley, Arizona**  
**Table 12**  
**Computation of Direct and Overlapping Debt**  
**June 30, 2018**

Jurisdiction	2017-2018 Secondary Assessed Valuation	Net Debt Outstanding	Percentage Applicable to the Town of Chino Valley	Amount Applicable to the Town of Chino Valley	2017-2018 Combined Tax Rate Per \$100 Assessed
State of Arizona	\$ 76,437,036,362	\$ -	0.12%	\$ -	None
Yavapai County	\$ 3,088,618,394	\$ -	2.96%	\$ -	0.0000%
Chino Valley School District	\$ 219,250,785	\$ -	100.00%	\$ -	0.0500%
Chino Valley Fire District	\$ 146,468,609	\$ 5,210,000	62.45%	\$ 3,253,836	3.5700%
Yavapai County Library District	\$ 3,088,618,394	\$ -	2.96%	\$ -	0.1491%
Yavapai County Community College	\$ 3,088,618,394	<u>\$ 32,270,000</u>	2.96%	<u>\$ 955,734</u>	<u>0.2227%</u>
Total Overlapping Debt		<u>\$ 37,480,000</u>		<u>\$ 4,209,571</u>	<u>3.9918%</u>
<b>Town of Chino Valley</b>	<b>\$ 91,475,024</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>\$ 48,707,192</b></u>		<u><b>\$ 15,436,763</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**

	<u>2008-2009</u>	<u>2009-2010</u>	<u>2010-2011</u>	<u>2011-2012</u>
Secondary Assessed Value	\$ 122,276,572	\$ 105,453,785	\$ 90,631,086	\$ 74,322,200
<b><u>20% Limitation (a)</u></b>				
Debt Limit Equal to 20% of Assessed Valuation	\$ 24,455,314	\$ 21,090,757	\$ 18,126,217	\$ 14,864,440
Total Debt Applicable to 20% Limit	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Legal 20% Debt Margin (Available Borrowing Capacity)	<u>\$ 24,455,314</u>	<u>\$ 21,090,757</u>	<u>\$ 18,126,217</u>	<u>\$ 14,864,440</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><u>6% Limitation (b)</u></b>				
Debt Limit Equal to 6% of Assessed Valuation	\$ 7,336,594	\$ 6,327,227	\$ 5,437,865	\$ 4,459,332
Total Debt Applicable to 6% Limit	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Legal 6% Debt Margin (Available Borrowing Capacity)	<u>\$ 7,336,594</u>	<u>\$ 6,327,227</u>	<u>\$ 5,437,865</u>	<u>\$ 4,459,332</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.

<u>2012-2013</u>	<u>2013-2014</u>	<u>2014-2015</u>	<u>2015-2016</u>	<u>2016-2017</u>	<u>2017-2018</u>
\$ 67,121,326	\$ 66,893,394	\$ 78,892,362	\$ 80,357,855	\$ 83,930,432	\$ 91,475,024
\$ 13,424,265	\$ 13,378,679	\$ 15,778,472	\$ 16,071,571	\$ 16,786,086	\$ 18,295,005
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<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>	<u>\$ 18,295,005</u>
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
\$ 4,027,280	\$ 4,013,604	\$ 4,733,542	\$ 4,821,471	\$ 5,035,826	\$ 5,488,501
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<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>	<u>\$ 5,488,501</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>	
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	8,790,890	-	331,638	26.51
2018	9,680,754	-	331,638	29.19

<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	8,790,890	-	64,695	135.88
2018	9,680,754	309,000	54,290	26.65

<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	8,071,115	45,000	26,895	112.26
2015	8,545,285	45,000	25,883	120.56
2016	8,790,890	45,000	24,713	126.10
2017	8,790,890	45,000	23,362	128.59
2018	9,680,754	50,000	21,663	135.09

<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>	
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	8,790,890	80,034	25,714	83.13
2018	9,680,754	82,242	23,447	91.60

<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	8,071,115	229,065	111,816	23.68
2015	8,545,285	235,510	105,192	25.08
2016	8,790,890	242,138	98,378	25.82
2017	8,790,890	248,952	91,372	25.83
2018	9,680,754	255,957	84,170	28.46

<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	8,545,285	-	29,950	285.32
2016	8,790,890	121,854	57,121	49.12
2017	8,790,890	124,303	54,622	49.13
2018	9,680,754	126,801	52,073	54.12

<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	8,790,890	150,161	96,326	35.66
2018	9,680,754	153,700	92,723	39.29

<b>WIFA 2017</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>	
2017	8,790,890	-	-	
2018	9,680,754	12,156	6,453	520.22



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

<u>Fiscal Year</u>	<u>Town Population</u>	<u>County Population</u>	<u>County Personal Income (in thousands)+</u>	<u>County Per Capita Personal Income</u>	<u>School Enrollment</u>	<u>Yavapai County Unemployment Rate</u>
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%
2017-2018	11,705	228,168	8,199,948	46	2876	4.3%

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	2018		2017		2016	
	Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment
Chino Valley Unified School	250	2.32%	247	2.29%	249	2.31%
Safeway	134	1.24%	134	1.24%	135	1.25%
Town of Chino Valley	104	0.96%	92	0.85%	96	0.89%
Sodexo	46	0.43%	-	-	-	-
Bonn Fire Grill	35	0.32%	45	0.42%	45	0.42%
Arizona Highway Safety Specialists	32	0.30%	29	0.27%	29	0.27%
chino Heating & Cooling	27	0.25%	30	0.28%	43	0.40%
Bar S Machine	26	0.24%	45	0.42%	45	0.42%
Circle L Animal Hospital	24	0.22%	24	0.22%	22	0.20%
Performance Accessories	-	0.00%	0	0.00%	38	0.35%
Color Spot	-	0.00%	32	0.30%	31	0.29%
	<u>678</u>	<u>6.29%</u>	<u>646</u>	<u>5.99%</u>	<u>702</u>	<u>6.51%</u>

Sources: Central Arizona Regional Economic Development Foundation; various employers

2015		2014		2013	
Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment
249	2.31%	250	2.32%	400	3.71%
139	1.29%	140	1.30%	140	1.30%
95	0.88%	89	0.83%	91	0.84%
-	-	-	-	-	-
43	0.40%	40	0.37%	35	0.32%
34	0.32%	35	0.32%	29	0.27%
43	0.40%	43	0.40%	42	0.39%
45	0.42%	45	0.42%	45	0.42%
21	0.19%	21	0.19%	20	0.19%
38	0.35%	36	0.33%	35	0.32%
31	0.29%	30	0.28%	45	0.42%
707	6.56%	699	6.48%	837	7.76%

**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
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
2017-2018	45.5	30	2	4.5

Source: Town of Chino Valley Budget

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

Function/Program				
Public Works/Streets	Public Works/Water	Public Works/Sewer		Total
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
7	3	3		95

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

<b>Function/Program</b>	<b>Fiscal Year</b>				
	<u>2008-2009</u>	<u>2009-2010</u>	<u>2010-2011</u>	<u>2011-2012</u>	<u>2012-2013</u>
<b>General Government</b>					
Registered Voters	5,736	*	5,766	*	6,027
Votes cast last primary election	2,561	*	2,256	*	2,092
<b>Police</b>					
Number of police personnel and officers	37	37	33	30	30
Arrests	567	512	388	358	262
Citations	1,418	1,872	1,550	1,539	756
Traffic Stops	4,364	5,466	5,298	5,715	3,503
Security Checks	*	1,289	2,004	1,906	4,717
Officer Reports	6,350	8,765	8,032	10,662	6,643
Calls for Service	11,855	14,514	13,091	15,350	10,367
<b>Animal Control</b>					
Animal Related Calls	1,060	938	1,099	785	945
Impounded Dogs	398	236	330	309	297
Adopted Dogs	61	*	*	109	102
Dog Licenses Sold	*	2,137	1,996	1,666	1,700
<b>Highways &amp; Streets</b>					
Miles of Paved Roads Maintained	*	*	157	157	157
Street resurfacing (miles)	*	*	0	0	4
Street sweeping (miles)	*	*	0	13	13
Potholes repaired (cold mix tons)	*	186	144	149	214
<b>Water</b>					
Number of wells	19	19	19	19	19
Total well production (acre feet)	254	245	233	240	255
Number of metered accounts	607	607	607	607	607
New Residential Connections	0	0	0	0	0
Number of Water Tanks	2	2	2	2	2
Storage Capacity (mg)	1.165	1.165	1.165	1.165	1.165
Miles of Water Mains	20.5	20.5	20.5	20.5	20.5
Line Breaks	3	3	0	1	0
Average Daily Consumption (thousand of gallons)	227	219	208	213	228
Number of Fire Hydrant	103	103	103	103	103
<b>Wastewater</b>					
Number of active accounts	1,640	1,669	1,672	1,672	1,685
Average daily sewage treatment gallons	243,000	299,000	295,000	321,000	324,000
Plant Capacity per day gallons	500,000	500,000	500,000	500,000	500,000
Gallons Recharged in Aquifer (acre feet)	228	235	225	230	242
Miles of Collection System					33

<b>Fiscal Year</b>				
<u>2013-2014</u>	<u>2014-2015</u>	<u>2015-2016</u>	<u>2016-2017</u>	<u>2017-2018</u>
*	5,914	*	6,220	6,673
*	3,587	*	2,630	2,816
30	30	30	31	31
440	443	445	444	394
934	808	1,234	1,204	1,532
3,067	2,801	3,166	3,121	3,103
2,425	2,602	1,979	1,469	914
7,700	6,485	6,257	5,601	5,135
11,870	10,988	11,212	10,680	10,239
829	878	1,005	941	954
315	301	340	350	341
121	136	137	139	122
1,807	1,971	1,912	1,986	1,994
163	153	153	153	153
0	3	0	2	3
13	13	13	13	13
168	148	157	157	270
19	19	19	19	19
250	250	250	250	267
626	633	658	720	819
19	7	25	25	99
2	2	2	2	2
1.165	1.165	1.165	1.165	1.165
21.0	21.0	21.0	21.0	22.0
0	0	0	0	0
223	296	312	312	312
103	103	103	103	104
1,689	1,735	1,744	1,767	1,842
325,000	325,000	325,000	325,000	265,000
500,000	500,000	500,000	500,000	500,000
244	246	251	251	284
33	34	34	34	35

(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>				
	<u>2008-2009</u>	<u>2009-2010</u>	<u>2010-2011</u>	<u>2011-2012</u>	<u>2012-2013</u>
<b>Facilities Maintenance</b>					
Number of Buildings Maintained	19	19	19	20	20
Square Footage of Buildings Maintained	55,704	55,704	55,704	55,704	55,704
Number of HVAC Unites Maintained	42	42	42	44	44
<b>Parks and Recreation</b>					
Park Areas	*	114	114	114	114
Total Miles of Trails	*	3	3	3	3
Parkland Acreage	*	2	2	2	9
Total Open Space Acres	*	89	89	89	82
Total Acres of Turf	*	20	20	20	20
Gallons of Water User per Acre of Turf	*	*	*	1,041,000	931,000
Playgrounds	2	2	2	2	2
Aquatic Center Admissions	*	*	*	12,324	11,189
<b>Economic Development</b>					
Building Permits-Commercial	17	18	11	19	27
Building Permits-Residential	163	194	167	165	147
Housing Rehabilitations	*	*	*	*	8
Code Enforcement Cases	293	216	256	183	208
Planning Cases	11	8	6	11	17
<b>Culture - Library</b>					
Items in Collections	48,882	47,957	52,334	50,581	43,055
Total Items Circulated	131,446	129,982	90,700	110,926	108,515
Reference Transactions	4,008	3,209	5,863	5,753	4,999
Computer Uses	15,000	15,000	15,600	15,600	15,603
Inter Library Loan	10,916	11,362	18,696	8,904	18,061
Total Library Attendance	72,302	59,082	68,791	68,934	60,273
<b>Culture - Senior Center</b>					
Total Meals Served in House	11,030	10,267	9,205	8,565	8,493
Total Meals on Wheels	12,266	12,085	13,077	8,091	9,101

Sources: Various City Departments

Note: Voter registration is taken every two years.

\* Not available

<b>Fiscal Year</b>				
<u>2013-2014</u>	<u>2014-2015</u>	<u>2015-2016</u>	<u>2016-2017</u>	<u>2017-2018</u>
20	20	20	20	20
55,704	55,704	55,704	55,704	55,704
44	44	44	44	44
114	114	114	114	114
3	3	3	3	3
9	9	9	9	9
82	82	82	82	82
20	20	20	20	20
700,000	793,000	806,000	806,000	810,000
2	2	2	2	2
13,442	12,074	10,771	12,180	16,638
13	65	53	56	61
220	225	265	319	439
0	3	0	0	0
176	223	186	197	200
14	16	16	15	19
44,249	53,523	49,072	57,009	72,454
114,171	112,843	113,231	110,202	107,584
4,551	5,891	5,008	4,752	3,041
15,307	16,702	15,102	15,888	15,515
25,696	23,238	29,504	23,490	30,427
60,380	62,346	60,533	66,131	64,960
10,211	11,606	13,264	13,744	14,612
8,264	10,582	12,065	10,428	10,174

(Concluded)

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

<b>Function/Program</b>	<u>2008-2009</u>	<u>2009-2010</u>	<u>2010-2011</u>	<u>2011-2012</u>	<u>2012-2013</u>
Public Safety					
Stations	1	1	1	1	1
Patrol units	20	19	21	19	19
Highways and Streets					
Streets (miles)	*	*	153	153	153
Water					
Water mains (miles)	19.5	19.5	19.5	19.5	19.5
Fire hydrants	103	103	103	103	103
Sewer					
Sanitary Sewer (miles)	32	32	32	32	32
Maximum daily treatment capacity (thousands of gallons)	500,000	500,000	500,000	500,000	500,000
Recreation and Aquatics					
Parks Acreage	47	47	47	47	47
Number of Parks	5	5	5	5	5
Swimming Pools	1	1	1	1	1
Ball Fields	6	6	6	6	6

\* Not available

Sources: Various City Departments

2013-2014   2014-2015   2015-2016   2016-2017   2017-2018

1	1	1	1	1
19	19	19	19	20
153	153	153	153	153
19.5	19.5	19.5	19.5	22
103	103	103	103	103
32	32	32	33	35
500,000	500,000	500,000	500,000	500,000
47	47	47	47	47
5	5	5	5	5
1	1	1	1	1
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, 2018, 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 15, 2018.

**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 15, 2018