

Town of Chino Valley, Arizona



Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2013



TOWN OF CHINO VALLEY, ARIZONA



Comprehensive Annual Financial Report

For Fiscal Year Ended June 30, 2013

Prepared by the Finance Department

Joe Duffy, Finance Director

TOWN OF CHINO VALLEY, ARIZONA

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November 28, 2013

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, 2013 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 Hinton Burdick CPAs and Advisors, 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, 2013 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosure in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement preparation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Town of Chino Valley's statements for the fiscal year ended June 30, 2013 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, and the construction and maintenance of streets and infrastructure; as well as recreational and cultural activities. The Town's two enterprise funds provide water and wastewater services. The Town also operates a Library and Senior Center.

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

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

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

STATE ROUTE HIGHWAY 89

Currently 23,000 vehicles per day travel State Route Highway 89 through Chino Valley. The Town, in conjunction with Yavapai County and Arizona Department of Transportation are in the process of planning improvements such as traffic control devices, frontage roads, widening and roundabouts on State Route Highway 89, from Center Street to Road 5 South.

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

FINANCIAL INFORMATION

Internal Controls

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

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

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

Budgetary Controls

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

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

Under the Local Alternative Expenditure Limitation, the Town is allowed to adjust the state imposed expenditure base from \$5,906,982 to \$16,769,266 for fiscal year 2013-2014.

The Town maintains budgetary controls, which are designed to ensure compliance with legal provisions of the annual operating budget adopted by the Town Council. An operating budget is legally adopted by ordinance each fiscal year for the general fund, debt service, enterprise funds and several special revenue funds. In accordance with Arizona Revised Statutes, the Town Manager submits a proposed budget for the fiscal year commencing the following July 1 to the Town Council. After final adoption, transfers between budget appropriations for non-exempt areas may be made by the Town Council.

The Town is subject to the State of Arizona's Spending Limitations Law for Cities and Towns. This law does not permit the Town to spend more than budgeted revenues plus the carry-over

unrestricted cash balance from the prior fiscal year. The limitation applies to the total of the combined funds. The Town complied with this law during the fiscal year.

Cash Management

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

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

Risk Management

The Town is a member in the Arizona Municipal Risk Retention Pool along with approximately 60 other members. The Pool provides coverage for claims to a maximum of \$2 million per occurrence on a 'claims made' basis. Excess coverage is for an additional \$8,000,000 per occurrence on a follow form, claims made basis. No significant reduction in insurance coverage occurred in 2012-2013 and no settlements exceeded insurance coverage during any of the past three fiscal years.

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

Economic Conditions and Outlook

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

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

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

Local Sales Tax, also known as Town Sales Tax, indicators have been mixed since 2004. Local Sales Taxes are comprised of retail, construction, manufacturing, restaurant/bar, hotel/motel, and other taxing categories. In 2003/2004, Town Sales Tax was \$1,889,919, then rose to a high of \$2,739,349 in 2005/2006, then fell to \$2,124,599 in FY 2010/2011. The fluctuation is directly related to the growth and eventual decline in the local housing market.

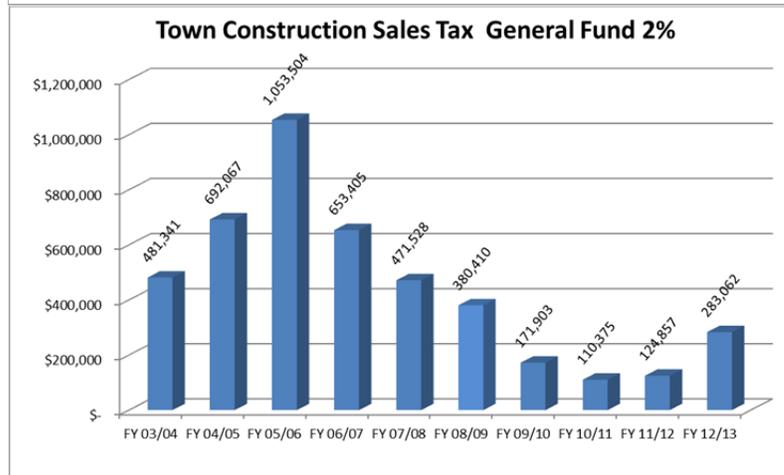
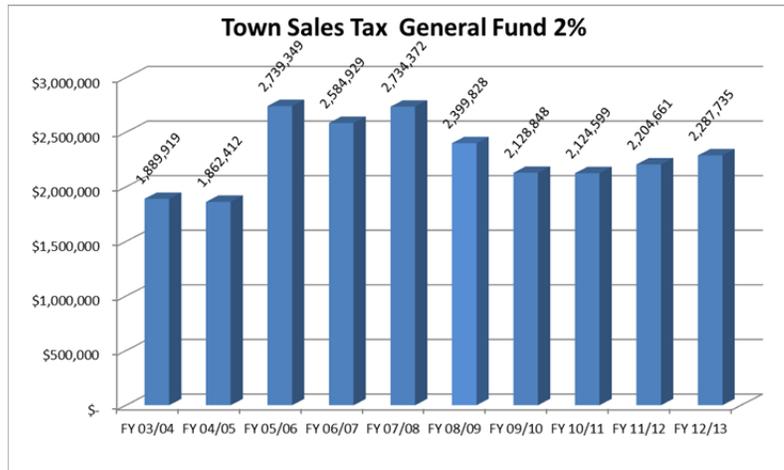
The Town's Sales Tax collections have shown steady growth since 2011.

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%.

Construction Sales Tax was a significant portion of the Town's tax collections during the housing boom from 2004 to 2008.

Construction sales tax is also the most volatile and unstable. The graph to the right shows the fluctuations in construction sales tax from 2003/2004 to 2012/2013.

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 2013 the Town developed 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 acquired a Bearcat self-propelled chip spreader for \$105,000. This equipment allows Town staff to chip seal the roads using inhouse labor.
- The Town made improvements to the Public Shooting Range of \$45,783 using grant and donated funds. The Town also began construction of a Police Shooting Range and training facility for law enforcement agencies in Arizona, also funded with grant and donated funds.
- The Town completed a community park expansion project for \$96,575 that included a dog park and walking paths using Park Impact Fees.
- The Town completed a major drainage and road project at Road 2 and Santa Cruz Wash for \$918,173. The project was funded with Road Impact Fees and funds from the Yavapai County Drainage District.
- The Town completed a Community Development Block Grant (CDBG) flood control project for \$377,776.

The Town also acquired two new police vehicles and upgraded computer equipment and financial software during the year.

OTHER INFORMATION

Independent Audit

The accounting firm of HintonBurdick 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

TOWN OF CHINO VALLEY, ARIZONA



List of Elected Officials

June 30, 2013

City Council

Chris Marley, Mayor

Darryl L. Croft, Vice Mayor

Mike R. Best

Linda Hatch

Pat McKee

Lon Turner

Don Wojcik

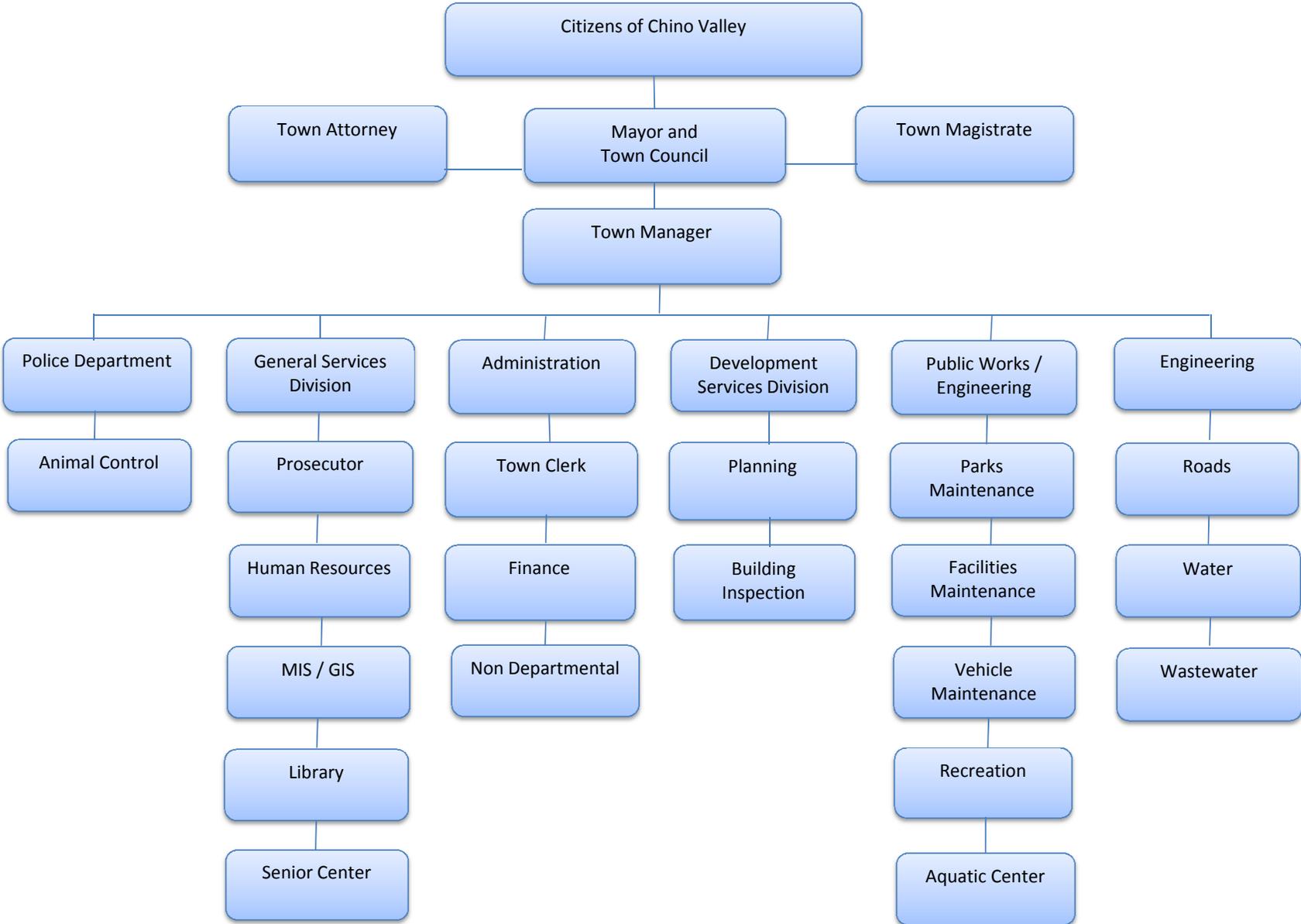
City Manager

Robert Smith

Finance Director

Joe Duffy

Town of Chino Valley Organization Chart



FINANCIAL SECTION

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MEMBERS:

CHAD B. ATKINSON, CPA
KRIS J. BRAUNBERGER, CPA
DEAN R. BURDICK, CPA
ROBERT S. COX, CPA
TODD B. FELTNER, CPA
K. MARK FROST, CPA

KENNETH A. HINTON, CPA
MORRIS J. PEACOCK, CPA
PHILLIP S. PEINE, CPA
MICHAEL K. SPILKER, CPA
KEVIN L. STEPHENS, CPA
MARK E. TICHENOR, CPA

Independent Auditors' Report

The Honorable Mayor and
Town Council
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 the Town of Chino Valley, Arizona, as of and for the year ended June 30, 2013, 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.

Auditor's 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 auditor's 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, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison information for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 14 to the financial statements, in 2013, the Town adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

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 Public Safety Retirement System 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's basic financial statements. The introductory section, combining and individual nonmajor fund budgetary comparison schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2013, on our consideration of the Town of Chino Valley's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.



HintonBurdick, PLLC
Flagstaff, Arizona
November 11, 2013

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**TOWN OF CHINO VALLEY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2013**

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, 2013. 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 \$22.5 million at the close of the fiscal year.
- Total net position increased by \$233,900.
- Governmental taxes and other governmental revenues exceeded expenses by \$966,778.
- Business-type expenses, including transfers, exceeded total business-type revenues by \$940,169.
- Total revenues from all sources were \$11.07 million.
- The total cost of all Town programs was \$11.04 million.
- The General Fund reported excess revenue over expenditures and transfers of \$484,476.
- At the end of the current fiscal year, fund balance for the General Fund was \$3.31 million or 53.48% 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 14-15 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 16-21 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 22-24 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 25-50 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 page 52 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and nonmajor 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 54-67 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 \$22.5 million as of June 30, 2013 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 Statement of Net Position

	Governmental activities		Business-type activities		Total	
	6/30/2013	6/30/2012	6/30/2013	6/30/2012	6/30/2013	6/30/2012
Current and other assets	\$ 7,647,888	\$ 8,086,142	\$ 69,826	\$ 488,099	\$ 7,717,714	\$ 8,574,241
Capital assets	13,522,149	12,233,338	31,601,449	32,764,632	45,123,598	44,997,970
Total assets	<u>21,170,037</u>	<u>20,319,480</u>	<u>31,671,275</u>	<u>33,252,731</u>	<u>52,841,312</u>	<u>53,572,211</u>
Deferred outflows of resources	692,138	-	-	-	692,138	-
Long-term liabilities outstanding	11,498,963	11,457,205	15,276,891	15,756,300	26,775,854	27,213,505
Other liabilities	811,602	667,888	3,415,502	3,394,226	4,227,104	4,062,114
Total liabilities	<u>12,310,565</u>	<u>12,125,093</u>	<u>18,692,393</u>	<u>19,150,526</u>	<u>31,002,958</u>	<u>31,275,619</u>
Net position:						
Net investment in capital assets	2,509,616	1,484,070	16,360,590	17,042,946	18,870,206	18,527,016
Restricted	3,556,297	4,280,241	524,391	458,987	4,080,688	4,739,228
Unrestricted	3,485,697	2,430,076	(3,906,099)	(3,399,728)	(420,402)	(969,652)
Total net position	<u>\$ 9,551,610</u>	<u>\$ 8,194,387</u>	<u>\$ 12,978,882</u>	<u>\$ 14,102,205</u>	<u>\$ 22,530,492</u>	<u>\$ 22,296,592</u>

Governmental Activities

The cost of all Governmental activities, excluding transfers, this year was \$8 million which is equal to last fiscal year. As shown on the statement of Changes in Net Position on the following page, \$824,737 was paid for by those who directly benefited from the programs; \$2,010,211 was subsidized by grants received from other governmental organizations for both capital and operating activities. Overall governmental program revenues, including intergovernmental aid, donations, and fees for services were \$2.8 million. General taxes and investment earnings totaled \$6.59 million.

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

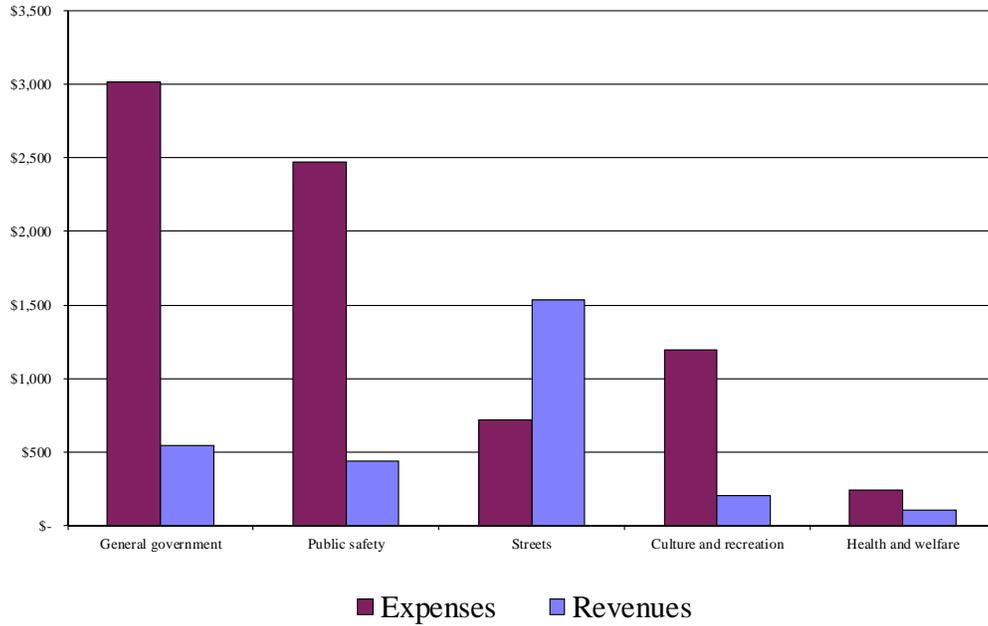
Town of Chino Valley, Arizona
Changes in Net Position

	Governmental activities		Business-type activities		Total	
	6/30/2013	6/30/2012	6/30/2013	6/30/2012	6/30/2013	6/30/2012
Revenues:						
Program revenues:						
Charges for services	\$ 824,737	\$ 617,545	\$ 1,508,954	\$ 1,504,690	\$ 2,333,691	\$ 2,122,235
Operating grants and contributions	1,006,900	1,199,771	-	177,612	1,006,900	1,377,383
Capital grants and contributions	1,003,311	206,591	114,730	58,538	1,118,041	265,129
General revenues:						
Taxes	5,468,823	5,051,518	-	-	5,468,823	5,051,518
Urban revenue sharing	1,104,933	912,963	-	-	1,104,933	912,963
Other revenue/(expense)	14,498	21,619	27,827	33,194	42,325	54,813
Total revenues	<u>9,423,202</u>	<u>8,010,007</u>	<u>1,651,511</u>	<u>1,774,034</u>	<u>11,074,713</u>	<u>9,784,041</u>
Expenses:						
General government	3,015,601	2,867,718	-	-	3,015,601	2,867,718
Public safety	2,472,409	2,467,357	-	-	2,472,409	2,467,357
Public works/Streets	721,841	707,108	-	-	721,841	707,108
Culture and recreation	1,198,383	1,226,036	-	-	1,198,383	1,226,036
Health and welfare	239,226	232,990	-	-	239,226	232,990
Interest on long-term debt	508,898	514,714	-	-	508,898	514,714
Water	-	-	733,396	655,975	733,396	655,975
Sewer	-	-	2,221,272	2,187,974	2,221,272	2,187,974
Total expenses	<u>8,156,358</u>	<u>8,015,923</u>	<u>2,954,668</u>	<u>2,843,949</u>	<u>11,111,026</u>	<u>10,859,872</u>
(Decrease) / Increase in net position before transfers	1,266,844	(5,916)	(1,303,157)	(1,069,915)	(36,313)	(1,075,831)
Transfers	<u>(362,988)</u>	<u>(244,016)</u>	<u>362,988</u>	<u>244,016</u>	<u>-</u>	<u>-</u>
(Decrease) / Increase in net position	903,856	(249,932)	(940,169)	(825,899)	(36,313)	(1,075,831)
Net position, beginning	8,194,387	8,444,319	14,102,205	14,928,104	22,296,592	23,372,423
Restatement adjustment	453,367	-	(183,154)	-	270,213	-
Net position, ending	<u>\$ 9,551,610</u>	<u>\$ 8,194,387</u>	<u>\$ 12,978,882</u>	<u>\$ 14,102,205</u>	<u>\$ 22,530,492</u>	<u>\$ 22,296,592</u>

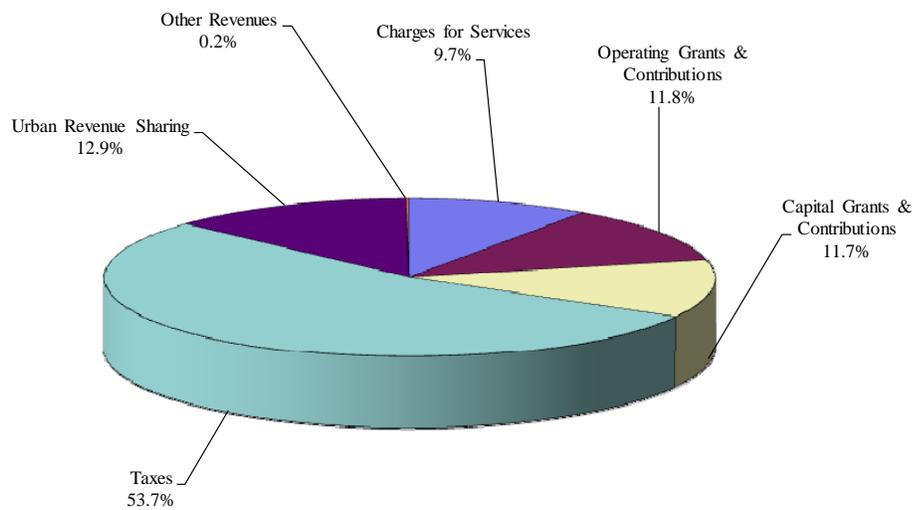
Total resources available during the year to finance governmental operations were \$17.62 million, consisting of net position at July 1, 2012 of \$8.2 million, program revenues of \$2.8 million and General Revenues of \$6.58 million. Total Governmental Activities during the year were \$8.1 million along with transfers to proprietary funds of \$362,988 and a restatement adjustment of \$453,367; thus Governmental Net Position was increased by \$1.36 million to \$9.55 million.

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

Expenses and Program Revenues - Governmental Activities
(in Thousands)



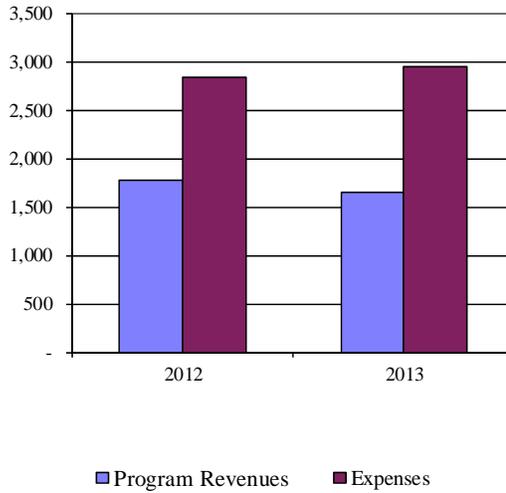
Revenue By Source - Governmental Activities



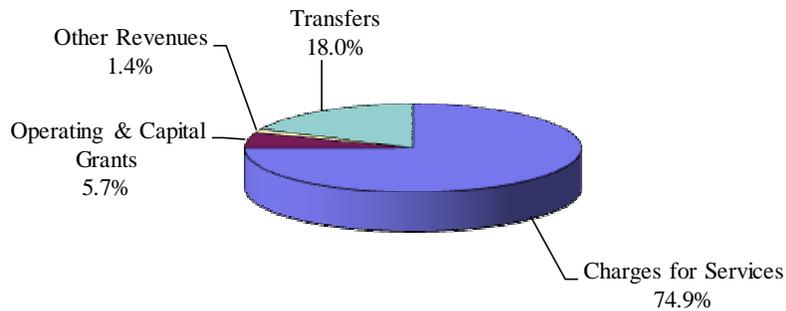
Business Type Activities

Net position of the Business Type activities at June 30, 2013, as reflected in the Statement of Net Position were \$12.9 million. The cost of providing all Proprietary (Business Type) activities this year was \$2.95 million. As shown in the statement of Changes in Net Position, the amounts paid by users of the system were \$1.5 million and there was \$114,730 subsidized by capital grants and contributions. Interest earnings were \$27,827 and transfers from governmental funds were \$362,988. The Net Position decreased by \$1,123,323.

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



Revenue By Source - Business-type Activities



Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the Town of Chino Valley's governmental funds reported combined ending fund balances of \$6,925,658 a decrease of \$419,757 in comparison with the prior year. Approximately, 44.66% of this total amount, \$3,092,751 constitutes unassigned fund balance, which is available for new spending at the government's discretion. The remainder of the fund balance is restricted or assigned 1) to pay debt service, 2) to pay for capital improvements or 3) for a variety of other restricted purposes.

The general fund is the chief operating fund of the Town of Chino Valley. At the end of the current fiscal year, unreserved, unassigned fund balance in the general fund was \$3,092,751, while total fund balance is \$3,312,470. 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 49.93% of total general fund expenditures, while total fund balance represents 53.48% of the same amount.

During the year, the Town of Chino Valley's general fund balance increased by \$484,476. Key factors in this increase are as follows:

- Continuation of expenditure control efforts
- Increase in Intergovernmental Revenues
- Increase in Charges for Services

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, Capital Improvements fund and development impact fee funds (Police, Library, Parks/Recreations, and Roads) all of which are restricted or assigned for specific purposes. The largest of the non-major funds is the Highway User Revenue fund which reported an increase in fund balance of \$176,074 for the current fiscal year.

Proprietary Funds: The proprietary fund financial statements are prepared on the same accounting basis and measurement focus as the government-wide financial statements, but provide additional detail since each major enterprise fund is shown directly on the fund statements.

Net position of the proprietary funds were \$12.97 million as of June 30, 2013. Operating revenues in fiscal year 2013 were \$439,577 for water and \$1,051,435 for sewer while operating expenses were \$705,376 for water and \$1,897,434 for sewer, resulting in operating losses of \$265,799 for water and \$845,999 for sewer. The water and sewer operating expenses increased from the prior year mainly due to additional salary and benefit cost allocations. The majority of the water net operating loss was offset by transfers in from governmental funds.

General Fund Budgetary Highlights

Actual expenditures, excluding transfers, for the General Fund at year-end were \$978,287 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 2013, net capital assets of the government activities totaled \$13.52 million and the net capital assets of the business-type activities totaled \$31.60 million. Depreciation on capital assets is recognized in the Government-Wide financial statements. (See note 6 to the financial statements)

Debt

At year-end, the Town had \$11.49 million in governmental type debt, and \$15.27 million in proprietary debt. The debt is a liability of the government and amounts to \$2,483 per capita. During the current fiscal year, the Town's total debt decreased by \$437,651. (See note 7 to the financial statements)

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

In building the Town Budget for fiscal year 2013/2014, the Town Council and management considered the anticipated the 1% rate increase in town sales tax, the slight increase in state shared revenues and established expenditure budgets accordingly. The 10% furloughs/salary reductions the staff had been working under for several years were eliminated.

Chino Valley's new development had slowed significantly due to economic decline and recession, but all indicators suggest the economic recovery has begun. The Town anticipates steady revenue increases in most areas and continues to proactively review expenses for potential savings.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

TOWN OF CHINO VALLEY, ARIZONA
Statement of Net Position
June 30, 2013

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 5,259,210	\$ 1,735	\$ 5,260,945
Receivables (net of allowance)	740,532	978,548	1,719,080
Internal balances	1,462,591	(1,462,591)	-
Prepaid items/inventory	7,039	-	7,039
Temporarily restricted assets:			
Cash and cash equivalents	178,516	552,134	730,650
Capital assets (net of accumulated depreciation):			
Land	2,132,788	3,211,136	5,343,924
Buildings	6,676,553	2,054	6,678,607
Improvements	389,745	-	389,745
System improvements	-	27,411,289	27,411,289
Machinery and equipment	618,251	308,417	926,668
Infrastructure/roads	3,039,102	-	3,039,102
Water rights	-	668,553	668,553
Construction in progress	665,710	-	665,710
Total assets	<u>21,170,037</u>	<u>31,671,275</u>	<u>52,841,312</u>
Deferred Outflows of Resources			
Deferred charge on refunding	692,138	-	692,138
Liabilities			
Accounts payable and other current liabilities	722,230	155,865	878,095
Interest payable	89,372	76,230	165,602
Unearned revenue	-	3,183,407	3,183,407
Noncurrent liabilities:			
Due within one year	185,000	417,420	602,420
Due in more than one year	11,313,963	14,859,471	26,173,434
Total liabilities	<u>12,310,565</u>	<u>18,692,393</u>	<u>31,002,958</u>
Net Position			
Net investment in capital assets	2,509,616	16,360,590	18,870,206
Restricted for:			
Highways and streets	923,837	-	923,837
Debt service and utility deposits	285,557	524,391	809,948
Capital projects and other	2,346,903	-	2,346,903
Unrestricted	3,485,697	(3,906,099)	(420,402)
Total net position	<u>\$ 9,551,610</u>	<u>\$ 12,978,882</u>	<u>\$ 22,530,492</u>

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

TOWN OF CHINO VALLEY, ARIZONA
Statement of Activities
For the Year Ended June 30, 2013

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants & Contributions</u>	<u>Capital Grants & Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Governmental activities:							
General government	\$ 3,015,601	\$ 546,893	\$ 1,576	\$ -	\$ (2,467,132)	\$ -	\$ (2,467,132)
Public safety	2,472,409	169,389	76,038	191,086	(2,035,896)	-	(2,035,896)
Streets	721,841	10,985	747,180	779,676	816,000	-	816,000
Culture and recreation	1,198,383	88,189	116,208	2,410	(991,576)	-	(991,576)
Health and welfare	239,226	9,281	65,898	30,139	(133,908)	-	(133,908)
Interest on long-term debt	508,898	-	-	-	(508,898)	-	(508,898)
Total governmental activities	<u>8,156,358</u>	<u>824,737</u>	<u>1,006,900</u>	<u>1,003,311</u>	<u>(5,321,410)</u>	<u>-</u>	<u>(5,321,410)</u>
Business-type activities:							
Water	733,396	439,577	-	-	-	(293,819)	(293,819)
Sewer	2,221,272	1,069,377	-	114,730	-	(1,037,165)	(1,037,165)
Total business-type activities	<u>2,954,668</u>	<u>1,508,954</u>	<u>-</u>	<u>114,730</u>	<u>-</u>	<u>(1,330,984)</u>	<u>(1,330,984)</u>
Total primary government	<u>\$ 11,111,026</u>	<u>\$ 2,333,691</u>	<u>\$ 1,006,900</u>	<u>\$ 1,118,041</u>	<u>(5,321,410)</u>	<u>(1,330,984)</u>	<u>(6,652,394)</u>
General Revenues:							
Taxes:							
City sales tax					3,882,227	-	3,882,227
Franchise tax					133,055	-	133,055
Property tax					3,809	-	3,809
Auto lieu tax (unrestricted)					564,341	-	564,341
State sales tax (unrestricted)					885,391	-	885,391
Urban revenue sharing (unrestricted)					1,104,933	-	1,104,933
Unrestricted investment earnings					14,498	27,827	42,325
Transfers					(362,988)	362,988	-
Total general revenues & transfers					<u>6,225,266</u>	<u>390,815</u>	<u>6,616,081</u>
Change in net assets					903,856	(940,169)	(36,313)
Net position - beginning					8,194,387	14,102,205	22,296,592
Restatement adjustment					453,367	(183,154)	270,213
Net position - ending					<u>\$ 9,551,610</u>	<u>\$ 12,978,882</u>	<u>\$ 22,530,492</u>

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

TOWN OF CHINO VALLEY, ARIZONA
Balance Sheet
Governmental Funds
June 30, 2013

Assets	<u>General</u>	<u>Non-major Funds</u>	<u>Total Governmental Funds</u>
Cash and investments	\$ 2,042,770	\$ 3,216,440	\$ 5,259,210
Receivables, net:			
Accounts receivable	48,010	44,229	92,239
Intergovernmental	287,122	361,171	648,293
Due from other funds	1,429,012	289,242	1,718,254
Prepaid items	7,039	-	7,039
Restricted cash and investments	-	178,516	178,516
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 3,813,953</u>	<u>\$ 4,089,598</u>	<u>\$ 7,903,551</u>
Liabilities			
Accounts payable	\$ 301,772	\$ 213,190	\$ 514,962
Accrued wages and benefits	109,865	5,892	115,757
Accrued liabilities	87,050	1,665	88,715
Customer deposits	2,796	-	2,796
Due to other funds	-	255,663	255,663
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>501,483</u>	<u>476,410</u>	<u>977,893</u>
Fund Balances			
Nonspendable:			
Prepays	7,039	-	7,039
Restricted for:			
Highways and streets	-	923,837	923,837
Capital improvements	-	2,138,187	2,138,187
Debt service	-	285,557	285,557
Public safety	72,212	136,504	208,716
Assigned to:			
Capital improvements	140,468	129,103	269,571
Unassigned	3,092,751	-	3,092,751
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>3,312,470</u>	<u>3,613,188</u>	<u>6,925,658</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 3,813,953</u>	<u>\$ 4,089,598</u>	<u>\$ 7,903,551</u>

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

TOWN OF CHINO VALLEY, ARIZONA
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position
June 30, 2013

Total governmental fund balances \$ 6,925,658

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	\$ 21,634,863	
Accumulated depreciation	<u>(8,112,714)</u>	13,522,149

Some liabilities, including notes payable, bonds payable, and capital leases, are not due and payable in the current period and therefore are not reported in the funds.

Bonds payable	(7,280,000)	
Issuance discount	159,243	
Loans payable	(3,760,000)	
Issuance premium	(131,776)	
Interest Payable	(89,372)	
Deferred amount on refunding	692,138	
Compensated absences	<u>(486,430)</u>	(10,896,197)

Total net position of governmental activities	\$ 9,551,610
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The accompanying notes are an integral part of the financial statements.

TOWN OF CHINO VALLEY, ARIZONA
Statement of Revenues, Expenditures, and Changes in
Fund Balances - Governmental Funds
For the Year Ended June 30, 2013

REVENUES	General	Non-major Funds	Total Governmental Funds
Taxes	\$ 2,721,207	\$ 1,297,884	\$ 4,019,091
Licenses, permits and fees	177,154	1,460	178,614
Intergovernmental revenue	2,737,473	1,706,068	4,443,541
Charges for services	438,798	-	438,798
Fines and forfeitures	192,564	-	192,564
Impact fees	-	29,764	29,764
Interest	1,135	13,363	14,498
Other revenues	18,125	88,210	106,335
Total revenues	<u>6,286,456</u>	<u>3,136,749</u>	<u>9,423,205</u>
 EXPENDITURES			
Current:			
General government	2,827,698	3,740	2,831,438
Public safety	2,351,257	50,832	2,402,089
Public works/streets	-	587,631	587,631
Culture and recreation	826,597	685	827,282
Health and welfare	188,156	39,320	227,476
Capital outlay	-	1,981,052	1,981,052
Debt service	-	623,886	623,886
Total expenditures	<u>6,193,708</u>	<u>3,287,146</u>	<u>9,480,854</u>
Excess of revenues			
Over (Under) expenditures	<u>92,748</u>	<u>(150,397)</u>	<u>(57,649)</u>
 Other Financing Sources (Uses):			
Sale of assets	879	-	879
Transfers in	418,652	604,551	1,023,203
Transfers out	<u>(27,803)</u>	<u>(1,358,388)</u>	<u>(1,386,191)</u>
Total other financing Sources (Uses)	<u>391,728</u>	<u>(753,837)</u>	<u>(362,109)</u>
Net change in fund balances	484,476	(904,234)	(419,758)
Fund balances, beginning of year	<u>2,827,994</u>	<u>4,517,422</u>	<u>7,345,416</u>
Fund balances, end of year	<u>\$ 3,312,470</u>	<u>\$ 3,613,188</u>	<u>\$ 6,925,658</u>

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

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
For the Year Ended June 30, 2013

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

Net change in fund balances - total governmental funds \$ (419,758)

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	\$ 2,038,755	
Depreciation expense	<u>(716,955)</u>	
		1,321,800

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. (32,989)

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. 37,028

Governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities.

Amortization of deferred amount on refunding	(62,922)	
Amortization of bond premiums and discounts - net	<u>1,400</u>	
		(61,522)

Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (80,186)

Accrued interest for long-term debt is not reported as an expenditure for the current period while it is recorded in the statement of activities. 139,483

Change in net position of governmental activities		<u><u>\$ 903,856</u></u>
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The accompanying notes are an integral part of the financial statements.

TOWN OF CHINO VALLEY, ARIZONA
GENERAL FUND
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2013

REVENUES:	Budgeted Amounts		<u>Actual</u>	Variance with Final Budget
	Original	Final		
Taxes:				
City sales tax	\$ 2,302,000	\$ 2,302,000	\$ 2,588,152	\$ 286,152
Franchise taxes	143,500	143,500	133,055	(10,445)
Total taxes	2,445,500	2,445,500	2,721,207	275,707
Licenses and permits	180,030	180,030	177,154	(2,876)
Intergovernmental:				
State shared sales tax	904,520	904,520	885,391	(19,129)
State shared income tax	1,104,833	1,104,833	1,104,933	100
Vehicle license tax	562,089	562,089	564,341	2,252
Grants	54,400	54,400	62,408	8,008
Other intergovernmental	171,253	171,253	120,400	(50,853)
Total intergovernmental	2,797,095	2,797,095	2,737,473	(59,622)
Charges for Services	427,132	427,132	438,798	11,666
Fines and Forfeitures	223,100	223,100	192,564	(30,536)
Interest	617	617	1,135	518
Other Revenues:				
Donations	23,800	23,800	12,870	(10,930)
Charges for administrative services	3,600	3,600	4,699	1,099
Miscellaneous	36,250	36,250	556	(35,694)
Total other revenues	63,650	63,650	18,125	(45,525)
TOTAL REVENUES	6,137,124	6,137,124	6,286,456	149,332

(continued)

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

TOWN OF CHINO VALLEY, ARIZONA
GENERAL FUND
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Continued)
For the Year Ended June 30, 2013

EXPENDITURES	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
General government:				
Legal services	107,737	109,737	107,009	2,728
Town clerk	213,351	213,351	182,620	30,731
Town manager	306,844	326,844	321,672	5,172
Human resources	67,179	67,179	52,364	14,815
Municipal court	268,554	271,554	265,100	6,454
Finance	248,154	253,154	252,580	574
Information systems	138,889	138,889	128,231	10,658
Geographical info systems	68,659	68,659	64,731	3,928
Mayor & council	29,730	29,730	28,142	1,588
Planning	128,598	128,598	124,618	3,980
Building inspection	150,893	178,893	175,600	3,293
Public works administration	19,355	19,355	17,557	1,798
Facilities maintenance	342,319	342,319	270,730	71,589
Fleet maintenance	319,774	319,774	302,821	16,953
Engineering	43,252	46,252	43,312	2,940
Contingencies	323,047	252,047	77,909	174,138
Court collection and improvements	74,687	74,687	9,961	64,726
Capital assets replacement	268,865	268,865	850	268,015
Nondepartmental	543,027	543,027	401,891	141,136
Total general government	<u>3,662,914</u>	<u>3,652,914</u>	<u>2,827,698</u>	<u>825,216</u>
Public safety:				
Dispatch	140,201	140,201	140,200	1
Police	2,134,957	2,144,957	2,126,663	18,294
Animal control	87,120	87,120	84,394	2,726
Total public safety	<u>2,362,278</u>	<u>2,372,278</u>	<u>2,351,257</u>	<u>21,021</u>
Culture and recreation:				
Recreation	62,815	62,815	28,472	34,343
Library	261,281	261,281	260,325	956
Parks maintenance	350,883	350,883	331,009	19,874
Aquatics center	276,247	276,247	206,791	69,456
Total culture and recreation	<u>951,226</u>	<u>951,226</u>	<u>826,597</u>	<u>124,629</u>
Health and welfare:				
Senior center	195,577	195,577	188,156	7,421
TOTAL EXPENDITURES	<u>7,171,995</u>	<u>7,171,995</u>	<u>6,193,708</u>	<u>978,287</u>
Excess of revenues over (under) expenditures	<u>(1,034,871)</u>	<u>(1,034,871)</u>	<u>92,748</u>	<u>1,127,619</u>
Other Financing Sources (Uses):				
Sale of assets	10,000	10,000	879	(9,121)
Transfers in	418,652	418,652	418,652	-
Transfers out	<u>(57,666)</u>	<u>(57,666)</u>	<u>(27,803)</u>	<u>29,863</u>
Total other financing sources (uses)	<u>370,986</u>	<u>370,986</u>	<u>391,728</u>	<u>20,742</u>
Net change in fund balance	(663,885)	(663,885)	484,476	1,148,361
Fund balance, beginning of year	<u>2,827,994</u>	<u>2,827,994</u>	<u>2,827,994</u>	<u>-</u>
Fund balance, end of year	<u>\$ 2,164,109</u>	<u>\$ 2,164,109</u>	<u>\$ 3,312,470</u>	<u>\$ 1,148,361</u>

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

TOWN OF CHINO VALLEY, ARIZONA
Statement of Net Position
Proprietary Funds
June 30, 2013

Assets	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Current Assets:			
Cash	\$ -	\$ 1,735	\$ 1,735
Receivables (net of allowance)	70,305	277,548	347,853
Hookups receivable	-	630,695	630,695
Total current assets	<u>70,305</u>	<u>909,978</u>	<u>980,283</u>
Noncurrent Assets:			
Restricted cash and investments	\$ 10,707	541,427	552,134
Land	3,211,136	-	3,211,136
Buildings	15,273	-	15,273
Treatment facilities	-	9,659,455	9,659,455
Water distribution system	3,378,356	-	3,378,356
Sewer collection system	-	20,906,604	20,906,604
Machinery and equipment	151,895	290,690	442,585
Water rights	668,553	-	668,553
Accumulated depreciation	(1,043,286)	(5,637,227)	(6,680,513)
Total noncurrent assets	<u>6,392,634</u>	<u>25,760,949</u>	<u>32,153,583</u>
Total assets	<u>6,462,939</u>	<u>26,670,927</u>	<u>33,133,866</u>
Liabilities			
Current liabilities:			
Accounts payable	45,173	69,797	114,970
Accrued wages and benefits	3,662	3,513	7,175
Accrued liabilities	5,889	88	5,977
Compensated absences	7,250	7,250	14,500
Interest payable	-	76,230	76,230
Due to other funds	1,311,977	150,614	1,462,591
Customer deposits	10,707	17,036	27,743
Unearned revenue	-	3,183,407	3,183,407
Loans payable - current portion	-	402,920	402,920
Total current liabilities	<u>1,384,658</u>	<u>3,910,855</u>	<u>5,295,513</u>
Noncurrent liabilities:			
Compensated absences	10,766	10,766	21,532
Developer agreement payable	420,733	-	420,733
Construction agreement payable	-	4,619,085	4,619,085
Loans payable, net of current portion	-	9,141,870	9,141,870
Bonds payable, net of current portion	655,000	-	655,000
Bond premiums, net of accumulated amortization	1,251	-	1,251
Total noncurrent liabilities	<u>1,087,750</u>	<u>13,771,721</u>	<u>14,859,471</u>
Total liabilities	<u>2,472,408</u>	<u>17,682,576</u>	<u>20,154,984</u>
Net Position			
Net investment in capital assets	5,304,943	11,055,647	16,360,590
Restricted for debt service	-	524,391	524,391
Unrestricted	(1,314,412)	(2,591,687)	(3,906,099)
Total net position	<u>\$ 3,990,531</u>	<u>\$ 8,988,351</u>	<u>\$ 12,978,882</u>

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

TOWN OF CHINO VALLEY, ARIZONA
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2013

Operating Revenues	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Charges for services	\$ 436,908	\$ 1,051,435	\$ 1,488,343
Other revenues	2,669	-	2,669
Total operating revenues	<u>439,577</u>	<u>1,051,435</u>	<u>1,491,012</u>
Operating Expenses			
Salaries	183,013	175,368	358,381
Employee benefits	74,871	71,663	146,534
Service, supplies and other	51,846	5,339	57,185
Repairs and maintenance	26,664	449,660	476,324
Utilities	73,145	89,992	163,137
Legal and professional	93,593	43,821	137,414
Contract services	5,775	-	5,775
Bad debts	-	173	173
Training and travel	1,338	-	1,338
Office expenses	8,261	8,150	16,411
Dues and subscriptions	3,768	6,000	9,768
Depreciation	177,655	1,047,268	1,224,923
Miscellaneous	5,447	-	5,447
Total operating expenses	<u>705,376</u>	<u>1,897,434</u>	<u>2,602,810</u>
Operating income (loss)	<u>(265,799)</u>	<u>(845,999)</u>	<u>(1,111,798)</u>
Non-operating Revenues (Expenses)			
Interest income	-	27,827	27,827
Interest expense and fiscal charges	(28,020)	(323,838)	(351,858)
Impact fees and connection fees	-	64,730	64,730
Miscellaneous nonoperating revenues	-	17,942	17,942
Total non-operating revenue (expense)	<u>(28,020)</u>	<u>(213,339)</u>	<u>(241,359)</u>
Income (loss) before contributions and transfers	(293,819)	(1,059,338)	(1,353,157)
Capital grants and contributions	-	50,000	50,000
Transfers in	362,988	-	362,988
Change in net position	69,169	(1,009,338)	(940,169)
Total net position, beginning of year	3,946,747	10,155,458	14,102,205
Restatement adjustment	(25,385)	(157,769)	(183,154)
Total net position, end of year	<u>\$ 3,990,531</u>	<u>\$ 8,988,351</u>	<u>\$ 12,978,882</u>

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

TOWN OF CHINO VALLEY, ARIZONA
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2013

	Water Fund	Sewer Fund	Total
Cash Flows From Operating Activities:			
Cash received from customers, service fees	\$ 435,670	\$ 1,026,382	\$ 1,462,052
Cash received from customers, other	2,669	-	2,669
Cash paid to suppliers	(261,815)	(570,707)	(832,522)
Cash paid to employees	(253,541)	(245,659)	(499,200)
Nonoperating receipts	-	17,942	17,942
Cash flows from operating activities	<u>(77,017)</u>	<u>227,958</u>	<u>150,941</u>
Cash Flows From Noncapital Financing Activities:			
Cash received from (paid to) other funds for interfund borrowing	(143,486)	190,833	47,347
Transfers	362,988	-	362,988
Cash flows from noncapital and related financing activities	<u>219,502</u>	<u>190,833</u>	<u>410,335</u>
Cash Flows From Capital and Related Financing Activities:			
Purchase of capital assets	(6,660)	(55,079)	(61,739)
Principal paid on long term debt	(90,000)	(390,727)	(480,727)
Interest paid	(42,693)	(327,963)	(370,656)
Connection & impact fees	-	154,949	154,949
Capital grants and contributions	-	50,000	50,000
Cash flows from capital and related financing activities	<u>(139,353)</u>	<u>(568,820)</u>	<u>(708,173)</u>
Cash Flows From Investing Activities:			
Interest on investments	-	27,827	27,827
Cash flows from investing activities	<u>-</u>	<u>27,827</u>	<u>27,827</u>
Net change in cash and cash equivalents	3,132	(122,202)	(119,070)
Cash and cash equivalents, including temporarily restricted cash, beginning of year	<u>7,575</u>	<u>665,364</u>	<u>672,939</u>
Cash and cash equivalents, including temporarily restricted cash, end of year	<u>\$ 10,707</u>	<u>\$ 543,162</u>	<u>\$ 553,869</u>
Reconciliation of Operating Income to Net Cash Flows from Operating Activities:			
Net operating income/(loss)	\$ (265,799)	\$ (845,999)	\$ (1,111,798)
Adjustments to reconcile net income/(loss) to net cash provided by operating activities:			
Depreciation/amortization	177,655	1,047,268	1,224,923
Nonoperating receipts	-	17,942	17,942
Changes in operating assets and liabilities:			
(Increase)/Decrease in receivables	(1,238)	(20,280)	(21,518)
Increase/(Decrease) in payables	8,022	32,428	40,450
Increase/(Decrease) in accrued liabilities & deposits	4,343	6,467	10,810
Increase/(Decrease) in unearned revenue	-	(9,868)	(9,868)
Net cash flows from operating activities	<u>\$ (77,017)</u>	<u>\$ 227,958</u>	<u>\$ 150,941</u>

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

TOWN OF CHINO VALLEY, ARIZONA
Notes to the Financial Statements
June 30, 2013

Note 1. Summary of Significant Accounting Policies

Description of government-wide financial statements

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

Reporting entity

The Town of Chino Valley Arizona (Town) 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.

Blended component unit. 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.

Basis of presentation – government-wide financial statements

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

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

TOWN OF CHINO VALLEY, ARIZONA
Notes to the Financial Statements
June 30, 2013

Note 1. Summary of Significant Accounting Policies, Continued

Basis of presentation – fund financial statements

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

The Town reports the following major governmental funds:

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

The Town reports the following major proprietary funds:

The **Water Fund** accounts for the activities of pumping, treating and distribution of water.

The **Sewer Fund** accounts for the activities of wastewater collection and treatment.

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

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

TOWN OF CHINO VALLEY, ARIZONA
Notes to the Financial Statements
June 30, 2013

Note 1. Summary of Significant Accounting Policies, Continued

Measurement focus and basis of accounting

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

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

The governmental fund financial statements are reported using the *current financial resources measurement* focus and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the 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.

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.

TOWN OF CHINO VALLEY, ARIZONA
Notes to the Financial Statements
June 30, 2013

Note 1. Summary of Significant Accounting Policies, Continued

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

Deposits and investments

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

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

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 General Fund and proprietary funds are shown net of an allowance for doubtful accounts.

Inventories and prepaid items

Purchases of inventory items are recorded at the time of purchase as expenditures in the funds from which the purchases were made; and because the amounts on hand at June 30, 2013, 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.

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. In addition, customer deposits in the Water and Sewer Funds are classified as restricted.

TOWN OF CHINO VALLEY, ARIZONA
Notes to the Financial Statements
June 30, 2013

Note 1. Summary of Significant Accounting Policies, Continued

Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activity columns in the government-wide financial statements and in the proprietary fund financial statements. Capital assets are defined by the Town as assets with an individual cost of more than \$5,000 and an estimated useful life in excess of one year. Capitalized assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Land, construction in progress, and water rights are not depreciated. The other property, plant, and equipment are depreciated using the straight-line method over the following estimated useful lives:

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

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The Town has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has no items that qualify for reporting in this category.

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.

TOWN OF CHINO VALLEY, ARIZONA
Notes to the Financial Statements
June 30, 2013

Note 1. Summary of Significant Accounting Policies, Continued

Fund balance flow assumptions

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

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.

Revenues and expenditures/expenses

Program revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

TOWN OF CHINO VALLEY, ARIZONA
Notes to the Financial Statements
June 30, 2013

Note 1. Summary of Significant Accounting Policies, Continued

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.

Proprietary funds operating and nonoperating revenues and expenses

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

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

New Pronouncements

In April 2012, the GASB issued statement No. 65, *Items Previously Reported as Assets and Liabilities*. Beginning with fiscal year 2013, the Town implemented the provisions of this statement, which establishes accounting standards and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities, and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Implementation of these new Statements resulted in a restatement of beginning net position in the Town's government-wide and proprietary fund financial statements (see Note 14).

TOWN OF CHINO VALLEY, ARIZONA
Notes to the Financial Statements
June 30, 2013

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

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

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

Note 3. Stewardship, Compliance, and Accountability

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

Budgets and Budgetary Accounting

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

1. In accordance with Arizona Revised Statutes, the Town Manager submits a proposed budget for the fiscal year commencing the following July 1 to the Town Council. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
2. Public hearings are conducted to obtain taxpayer comment.
3. Prior to the third Monday in August, the expenditure limitation for the Town is legally enacted through passage of an ordinance. To ensure compliance with the expenditure limitation, a uniform expenditure report must be filed with the State each year. This report, issued under a separate cover, reconciles total Town expenditures from the audited financial statements to total expenditures for reporting in accordance with the State's uniform expenditure reporting system (A.R.S. §41-1279.07).
4. The Town follows a voter-approved alternative expenditure limitation that was extended on March 12, 2013.

TOWN OF CHINO VALLEY, ARIZONA
Notes to the Financial Statements
June 30, 2013

Note 3. Stewardship, Compliance, and Accountability, Continued

5. Expenditures may not legally exceed the expenditure limitation of all fund types as a whole. For management purposes, the 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, Capital Projects Funds and Enterprise funds. The budgets are prepared on essentially the same modified accrual basis of accounting used to record actual revenues and expenditures.

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

No 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.

Expenditures over Appropriations

The individual Statements of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual report on pages 20-21 and 58-67 present all of the funds which incurred an excess of expenditures/expenses over appropriations for the year ended June 30, 2013, if any.

TOWN OF CHINO VALLEY, ARIZONA
Notes to the Financial Statements
June 30, 2013

Note 4. Deposits and Investments

A reconciliation of cash and investments as shown on the statement of net position is as follows:

Cash and cash equivalents	\$ 5,260,945
Restricted cash	730,650
	<u>\$ 5,991,595</u>

Deposits

Custodial Credit Risk

For deposits this is the risk that in the event of a bank failure, the Town's deposit may not be returned to it. The Town does not have a formal policy for custodial credit risk. As of June 30, 2013, none of the Town's bank balance of \$841,313 (which excludes \$177,060 of cash held by a trustee for future debt service) was exposed to custodial credit risk because it was insured or collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Town's name.

Investments

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

The LGIP is not registered with the SEC as an investment company. Deposits in the LGIP are not insured or otherwise guaranteed by the State of Arizona, and participants share proportionally in any realized gain or losses on investments.

The provisions of State law (A.R.S. 35-323) govern the investment of funds in excess of \$100,000. A.R.S. 35-323 allows for investment in certificates of deposit, interest bearing savings accounts, repurchase agreements with a maximum maturity of 180 days, pooled investment funds established by the State Treasurer, obligations guaranteed by the United States, bonds of the State of Arizona or other local municipalities, commercial paper of prime quality that is rated "P1" by Moody's investors or "A1" by Standard and Poor's rating service, and bonds, debentures or notes that are issued by corporations organized and doing business in the United States subject to certain restrictions. For investments of less than \$100,000, procedures as specified by local ordinance or resolution must be followed.

TOWN OF CHINO VALLEY, ARIZONA
Notes to the Financial Statements
June 30, 2013

Note 4. Deposits and Investments, Continued

As of June 30, 2013 the Town had the following deposits and investments and maturities:

	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Weighted Average Maturity</u>
Deposits:			
Cash on hand	\$ 2,700	N/A	N/A
Cash in bank	984,200	N/A	N/A
Investments:			
State Treasurer's Investment Pool	<u>5,004,695</u>	(1)	(2)
Total Deposits and Investments	<u><u>\$5,991,595</u></u>		

- (1) The Town's investment in the State Treasurer's Investment Pool #5 was rated AA Af/S1+ and Investment Pool #7 was rated AA+ from Standard and Poor's.
- (2) The Town's investment in the State Treasurer's Investment Pool #5 had a Weighted Average Maturity of 25 days. Investment Pool #7's Weighted Average Maturity was 15 days.

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town does not have a formal investment policy regarding interest rate risk; however, the Town does manage its exposure to fair value loss arising from increasing interest rates through compliance with the provisions of State law (A.R.S. 35-323). A.R.S. 35-323 requires that the Town's investment portfolio maturities do not exceed five years from the time of purchase.

Credit risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town does not have a formal investment policy regarding credit risk. However the Town does reduce its exposure to credit risk through compliance with State law (A.R.S. 35-323). A.R.S. 35-323 limits investment in commercial paper and corporate bonds to the top ratings issued by nationally recognized statistical rating organizations such as Standard & Poor's and Moody's Investor Services. State law does not allow investing in investments other than obligations of the U.S. Treasury and U.S. agencies, certificates of deposit in eligible depositories, repurchase agreements, obligation 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.

TOWN OF CHINO VALLEY, ARIZONA
Notes to the Financial Statements
June 30, 2013

Note 4. Deposits and Investments, Continued

Restricted Assets at June 30, 2013 consisted of the following:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Restricted Cash		
Debt reserve requirements	\$ 177,060	\$ 524,391
Unspent loan proceeds	1,456	-
Water fund customer deposits	-	10,707
Sewer fund customer deposits	-	17,036
Total	<u>\$ 178,516</u>	<u>\$ 552,134</u>

Note 5. 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.

Service billings receivable	\$ 404,853
Allowance for doubtful accounts	<u>(57,000)</u>
	<u>\$ 347,853</u>

Hookups receivable of \$630,695 reported in the proprietary funds are for amounts receivable from customers for hookup fees that are paid over a ten year period. Each year the Town bills one tenth of the amount receivable which is recorded as Service Billings Receivable (see above). The remaining long-term portion is recorded as Hookups Receivable.

TOWN OF CHINO VALLEY, ARIZONA
Notes to the Financial Statements
June 30, 2013

Note 6. Capital Assets

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

Governmental Activities:	Balance 6/30/2012	Additions	Deletions	Balance 6/30/2013
Capital assets, not being depreciated:				
Land	\$ 2,132,788	\$ -	\$ -	\$ 2,132,788
Construction in progress	189,621	665,710	(189,621)	665,710
Total capital assets, not being depreciated	<u>2,322,409</u>	<u>665,710</u>	<u>(189,621)</u>	<u>2,798,498</u>
Capital assets, being depreciated:				
Buildings	10,287,886	58,504	(84,752)	10,261,638
Improvements other than buildings	999,530	96,575	(6,782)	1,089,323
Furniture, equipment, and vehicles	3,502,315	111,637	(5,836)	3,608,116
Infrastructure	2,581,338	1,295,950	-	3,877,288
Total capital assets, being depreciated	<u>17,371,069</u>	<u>1,562,666</u>	<u>(97,370)</u>	<u>18,836,365</u>
Less accumulated depreciation for:				
Buildings	(3,240,035)	(398,168)	53,118	(3,585,085)
Improvements other than buildings	(652,791)	(52,214)	5,427	(699,578)
Furniture, equipment, and vehicles	(2,848,325)	(147,376)	5,836	(2,989,865)
Infrastructure	(718,989)	(119,197)	-	(838,186)
Total accumulated depreciation	<u>(7,460,140)</u>	<u>(716,955)</u>	<u>64,381</u>	<u>(8,112,714)</u>
Total capital assets, being depreciated, net	<u>9,910,929</u>	<u>845,711</u>	<u>(32,989)</u>	<u>10,723,651</u>
Governmental activities capital assets, net	<u>\$ 12,233,338</u>	<u>\$ 1,511,421</u>	<u>\$ (222,610)</u>	<u>\$ 13,522,149</u>

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

Governmental Activities:	
General government	\$ 156,317
Public safety	57,740
Streets	132,345
Culture & recreation	361,457
Health & welfare	9,096
Total depreciation expense - governmental activities	<u>\$ 716,955</u>

TOWN OF CHINO VALLEY, ARIZONA
Notes to the Financial Statements
June 30, 2013

Note 6. Capital Assets, Continued

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

Business Type Activities:	Balance 6/30/2012	Additions	Deletions	Balance 6/30/2013
Capital assets not being depreciated:				
Land	\$ 3,211,136	\$ -	\$ -	\$ 3,211,136
Construction in progress	-	-	-	-
Water rights	668,553	-	-	668,553
Total capital assets, not being depreciated	<u>3,879,689</u>	<u>-</u>	<u>-</u>	<u>3,879,689</u>
Capital assets being depreciated:				
Buildings	15,273	-	-	15,273
Treatment facilities	9,659,455	-	-	9,659,455
Water distribution system	3,378,356	-	-	3,378,356
Sewer collection system	20,906,604	-	-	20,906,604
Machinery, equipment & vehicles	380,846	61,739	-	442,585
Total capital assets, being depreciated	<u>34,340,534</u>	<u>61,739</u>	<u>-</u>	<u>34,402,273</u>
Less accumulated depreciation for:				
Buildings	(11,692)	(1,527)	-	(13,219)
Treatment facilities	(1,367,148)	(194,501)	-	(1,561,649)
Water distribution system	(751,157)	(171,457)	-	(922,614)
Sewer collection system	(3,213,140)	(835,723)	-	(4,048,863)
Machinery, equipment & vehicles	(112,453)	(21,715)	-	(134,168)
Total accumulated depreciation	<u>(5,455,590)</u>	<u>(1,224,923)</u>	<u>-</u>	<u>(6,680,513)</u>
Total capital assets, being depreciated, net	<u>28,884,944</u>	<u>(1,163,184)</u>	<u>-</u>	<u>27,721,760</u>
Business-type activities capital assets, net	<u>\$ 32,764,633</u>	<u>\$ (1,163,184)</u>	<u>\$ -</u>	<u>\$ 31,601,449</u>

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

Business-Type Activities:	
Water	\$ 177,655
Sewer	1,047,268
Total depreciation expense - business-type activities	<u>\$ 1,224,923</u>

TOWN OF CHINO VALLEY, ARIZONA
Notes to the Financial Statements
June 30, 2013

Note 7. Long-Term Debt

The following is a summary of changes in long-term obligations for the year ended June 30, 2013:

	Balance 6/30/2012	Additions	Retirements	Balance 6/30/2013	Current Portion
Governmental Activities:					
Revenue Bonds					
Series 2010	\$ 7,280,000	\$ -	\$ -	\$ 7,280,000	\$ -
Discount on Bonds	(167,851)	-	8,608	(159,243)	-
Total Revenue Bonds	<u>7,112,149</u>	<u>-</u>	<u>8,608</u>	<u>7,120,757</u>	<u>-</u>
Loans payable					
GADA 2007 Series	3,760,000	-	-	3,760,000	65,000
Premium on GADA Loan	141,784	-	(10,008)	131,776	-
Total Loans Payable	<u>3,901,784</u>	<u>-</u>	<u>(10,008)</u>	<u>3,891,776</u>	<u>65,000</u>
Accrued compensated absences	406,244	279,664	(199,478)	486,430	120,000
Capital leases	37,028	-	(37,028)	-	-
Total other long term debt	<u>443,272</u>	<u>279,664</u>	<u>(236,506)</u>	<u>486,430</u>	<u>120,000</u>
Total Governmental Activities	<u>\$ 11,457,205</u>	<u>\$ 279,664</u>	<u>\$ (237,906)</u>	<u>\$ 11,498,963</u>	<u>\$ 185,000</u>
Business-Type Activities:					
Revenue Bonds					
Series 2010	\$ 745,000	\$ -	\$ (90,000)	\$ 655,000	\$ -
Premium on Series 2010 Bond	1,351	-	(100)	1,251	-
Total Revenue Bonds	<u>746,351</u>	<u>-</u>	<u>(90,100)</u>	<u>656,251</u>	<u>-</u>
Loans payable					
USDA					
Series 2007	\$ 1,484,085	\$ -	\$ (35,734)	\$ 1,448,351	\$ 37,134
Series 2008-1	1,439,869	-	(32,056)	1,407,813	33,405
Series 2008-2	1,274,398	-	(28,360)	1,246,038	29,555
WIFA					
Series 2007	1,311,629	-	(71,782)	1,239,847	73,761
Series 2008	4,425,536	-	(222,795)	4,202,741	229,065
Total Loans Payable	<u>9,935,517</u>	<u>-</u>	<u>(390,727)</u>	<u>9,544,790</u>	<u>402,920</u>
Accrued compensated absences	34,615	15,925	(14,507)	36,033	14,500
Construction agreement payable	4,619,085	-	-	4,619,085	-
Developer agreement payable	420,733	-	-	420,733	-
Total other long term debt	<u>5,074,433</u>	<u>15,925</u>	<u>(14,507)</u>	<u>5,075,851</u>	<u>14,500</u>
Total Business-Type Activities	<u>\$ 15,756,301</u>	<u>\$ 15,925</u>	<u>\$ (495,334)</u>	<u>\$ 15,276,892</u>	<u>\$ 417,420</u>
Total Long-Term Liabilities	<u>\$ 27,213,506</u>	<u>\$ 295,589</u>	<u>\$ (733,240)</u>	<u>\$ 26,775,855</u>	<u>\$ 602,420</u>

TOWN OF CHINO VALLEY, ARIZONA
Notes to the Financial Statements
June 30, 2013

Note 7. Long-Term Debt, Continued

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

Fiscal Year Ended June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2014	\$ 65,000	\$ 510,382	\$ 402,920	\$ 329,102
2015	75,000	507,619	460,609	329,236
2016	235,000	504,432	473,711	314,920
2017	240,000	494,444	487,241	300,004
2018	255,000	484,244	506,215	284,377
2019-2023	2,730,000	2,122,407	2,777,284	1,162,979
2024-2028	3,740,000	1,372,587	3,024,488	668,811
2029-2033	3,700,000	361,708	1,009,583	328,058
2034-2038	-	-	1,057,739	101,132
Totals	<u>\$ 11,040,000</u>	<u>\$ 6,357,823</u>	<u>\$ 10,199,790</u>	<u>\$ 3,818,619</u>

The following is a listing of long-term debt outstanding as of June 30, 2013:

Bonds Payable:

Governmental Activities:

MPC Revenue Bonds, Series 2010, due in annual principal and semi-annual interest installments ranging from \$150,000 to \$990,000 bearing interest at 4.00% to 4.75%, maturing August 2031. \$ 7,280,000

Business-Type Activities:

MPC Revenue Bonds, Series 2010, due in annual principal and semi-annual interest installments ranging from \$45,000 to \$70,000 bearing interest at 2.50% to 5.00%, maturing August 2031. 655,000

Total Bonds Payable 7,935,000

TOWN OF CHINO VALLEY, ARIZONA
Notes to the Financial Statements
June 30, 2013

Note 7. Long-Term Debt, Continued

Loans Payable:

Governmental Activities:

Greater Arizona Development Authority (GADA), due in annual principal and semi-annual interest installments ranging from \$65,000 to \$385,000 bearing interest at 4.0% to 5.0%, maturing July 1, 2026	<u>3,760,000</u>
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Business-Type Activities:

Water Infrastructure Finance Authority of Arizona loan, due in semi-annual variable principal and interest installments, bearing interest at 2.758%, maturing July 1, 2026.	1,239,847
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Water Infrastructure Finance Authority of Arizona loan, due in semi-annual variable principal and interest installments, bearing interest at 2.814%, maturing July 1, 2027.	4,202,741
---	-----------

U.S. Department of Agriculture - Rural Development (USDA) loan, due in monthly installments, bearing interest at 4.125%, maturing February 2037.	1,448,351
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U.S. Department of Agriculture - Rural Development (USDA) loan, due in monthly installments, bearing interest at 4.125%, maturing April 2038.	1,407,813
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U.S. Department of Agriculture - Rural Development (USDA) loan, due in monthly installments, bearing interest at 4.125%, maturing April 2038.	<u>1,246,038</u>
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Total Business-Type Activities	<u>9,544,790</u>
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Total Loans Payable	<u>13,304,790</u>
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Developer Agreement Payable

Developer agreement payable with no minimum required payments and no interest. Payments are contingent on the number of water hook-ups received during the year.	<u>420,733</u>
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TOWN OF CHINO VALLEY, ARIZONA
Notes to the Financial Statements
June 30, 2013

Note 7. Long-Term Debt, Continued

Construction Agreement Payable:

Construction agreement payable with no minimum required payments. Payments are contingent on the number of sewer hook-ups during the year. \$4,100 is paid for each hookup - principal \$3,761 and interest \$339.

4,619,085 *

Accrued Vacation and Comp Time Payable

522,463

Premiums and Discounts, net

(26,216)

Total Long-Term Debt

26,775,855

Less Current Portion:

Business-type Activities

(417,420)

Governmental-type Activities

(185,000)

Net Long-Term Debt

\$ 26,173,435

* The Town entered into an agreement with a construction contractor to finance the construction of a wastewater treatment plant. The plant is to be constructed in six phases. Phases I-IV have been constructed and completed in fiscal years 2004-09. Phases IV-VI are for additional plant capacity. As of June 30, 2013 Phases V and VI had not been started. There are no minimum payment requirements under the agreement, rather payments are contingent upon hook-ups to the Town's sewer system. The Town has agreed to pay the contractor \$4,100 per hook-up for the first 3,150 hookups to the system. As of June 30, 2013, 1,228 hook-ups remain outstanding for the completed phases of the plant which have been capitalized and a corresponding liability recognized by the Town.

The assets capitalized and acquired through the construction agreement are as follows:

	Business-type Activities
Asset:	
Land	\$ 878,396
Water Rights	25,047
Treatment Facilities	9,659,455
Furniture, equipment and vehicles	35,168
Less: accumulated depreciation	<u>(1,596,819)</u>
	<u><u>\$ 9,001,247</u></u>

TOWN OF CHINO VALLEY, ARIZONA
Notes to the Financial Statements
June 30, 2013

Note 8. Debt Defeasance

During the year ended June 30, 2008, the Town used \$2,999,018 of 2007 GADA loan proceeds to defease \$960,000 in MPC Revenue Bonds and \$550,000 of its 2007 GADA Loan. The proceeds were used to purchase U.S government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for a portion of future debt service payments of the MPC Revenue Bonds and GADA Loan. As a result, a portion of bonds and loan are considered to be defeased, and the liabilities have been removed from the statement of net position. This defeasance of the MPC Revenue Bonds and the GADA loan was not made to obtain an economic benefit or debt service savings. The Town had unspent GADA proceeds and was unable to call its bonds or loan early.

During the year ended June 30, 2011, the Town issued \$7,280,000 of revenue refunding bonds and utilized \$907,442 from a previous debt issuance to provide resources to purchase U.S. Government securities that were placed in an irrevocable trust for the purpose of generating resources for the future debt service payments of \$6,110,000 of revenue bonds and payment of \$465,000 on the GADA 2007 Series loan. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net position. This advanced refunding resulted in a decrease of debt payments over 7 years of \$2,565,760 but an overall increase in total debt payments over 21 years of \$4,091,567 and an economic loss of \$709,344.

In addition, the Town issued \$745,000 of revenue bonds for the current refunding of a \$700,000 capital lease. This current refunding resulted in an increase in total debt payments over the next 15 years of \$302,027 and an economic gain of \$10,003.

Note 9. Pledged Revenues

The Town has pledged a portion of the future excise taxes and state shared revenues to repay a \$5 million GADA loan issued in 2007 and to repay \$7.28 million in MPC Revenue Bonds issued in 2010. The loan was used to finance various improvements to the Town. The bonds were used to refund the remaining portion of the MPC 2004 Revenue Bonds. The bonds and loans are payable from excise taxes and state shared revenues of the Town. Annual principal and interest payments on the bonds and loans are estimated to require 10% of excise tax and state shared revenues. Total principal and interest remaining on the loan is \$5,357,867 payable through August 2026. The principal and interest remaining on the bond is \$12,039,956 payable through August 2031. For the current year, principal and interest paid on the loan was \$89,366 and the interest paid on the bonds was \$497,491. Total excise taxes and state shared revenues were \$6,569,949.

TOWN OF CHINO VALLEY, ARIZONA
Notes to the Financial Statements
June 30, 2013

Note 9. Pledged Revenues, Continued

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 \$6.4 million in WIFA loans issued in 2007 and 2008 and \$4.4 million in USDA loans issued in 2007 and 2008. Proceeds from the loans provided financing for development of the Town's sewer system. The loans are payable from sewer system customer net revenues and excise taxes and state shared revenues. The WIFA loans are payable through July 2026 and 2027 and the USDA loans are payable through March 2037 and May 2038. Annual principal and interest payments on the loans are estimated to require 7% of total net sewer system, excise taxes and state shared revenues. The total principal and interest remaining to be paid on the WIFA and USDA loans is \$6,645,107 and \$6,509,433, respectively. For the current year, principal and interest paid was \$714,565, sewer system customer net revenues were \$1,116,165, and excise taxes and state shared revenues were \$6,569,949.

Note 10. Interfund Receivables, Payables and Transfers

As of June 30, 2013, interfund receivables and payables that resulted from various interfund transactions were as follows:

	Due From:			
Due To:	Nonmajor Governmental Funds	Water Fund	Sewer Fund	Total
General Fund	\$ -	\$ 1,278,398	\$ 150,614	\$ 1,429,012
Nonmajor Governmental Funds	255,663	33,579	-	289,242
Total	\$ 255,663	\$ 1,311,977	\$ 150,614	\$ 1,718,254

The outstanding balance in the Water and Sewer fund is for working capital loans borrowed from the General fund and other nonmajor funds 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.

TOWN OF CHINO VALLEY, ARIZONA
Notes to the Financial Statements
June 30, 2013

Note 10. Interfund Receivables, Payables and Transfers, Continued

Interfund transfers for the fiscal year ended June 30, 2013 are as follows:

<u>Transfer Out</u>	<u>Transfer In</u>			<u>Total</u>
	<u>General Fund</u>	<u>Water Fund</u>	<u>Non-major Governmental Funds</u>	
General Fund	\$ -	\$ -	\$ 27,803	\$ 27,803
Non-major Governmental Funds	<u>418,652</u>	<u>362,988</u>	<u>576,748</u>	<u>1,358,388</u>
Total	<u>\$ 418,652</u>	<u>\$ 362,988</u>	<u>\$ 604,551</u>	<u>\$ 1,386,191</u>

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.

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TOWN OF CHINO VALLEY, ARIZONA
Notes to the Financial Statements
June 30, 2013

Note 11. Retirement and Pension Plans

Arizona State Retirement System (ASRS)

Plan Description - The Town contributes to a cost-sharing multiple-employer defined benefit pension plan; a cost-sharing, multiple-employer defined benefit health care plan; and a cost-sharing, multiple-employer defined benefit long-term disability plan, all of which are administered by the Arizona State Retirement System (ASRS). The plan covers employees of the State of Arizona and participating political subdivisions and school districts. The ASRS (through its Retirement Fund) provides retirement (i.e., pension), death, and survivor benefits; the Health Benefit Supplement Fund provides health insurance premium benefits (i.e., a monthly subsidy); and the Long-Term Disability Fund provides long-term disability benefits. Benefits are established by state statute. The ASRS is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

The System issues a comprehensive annual financial report that includes financial statements and required supplementary information. The most recent report may be obtained by writing the System, 3300 North Central Avenue, P.O. Box 33910, Phoenix, AZ 85067-3910 or by calling (602) 240-2000 or (800) 621-3778.

Funding Policy - The Arizona State Legislature establishes and may amend active plan members' and the Town's contribution rates. For the current fiscal year, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.14 percent (10.90 percent for retirement, and .24 percent for long-term disability) of the members' annual covered payroll and the Town was required to contribute 11.14 percent (10.25 percent for retirement, 0.65 percent for health insurance premium, and 0.24 percent for long-term disability) of the members' annual covered payroll.

The Town's contributions for the current and two previous fiscal years were equal to the required contributions and were as follows:

Year Ended June 30,	Retirement Fund	Health Benefit Supplement Fund	Long-Term Disability Fund
2011	\$ 227,144	\$ 14,874	\$ 6,303
2012	200,874	12,822	4,884
2013	253,975	16,106	5,947

TOWN OF CHINO VALLEY, ARIZONA
Notes to the Financial Statements
June 30, 2013

Note 11. Retirement and Pension Plans, Continued

Public Safety Personnel Retirement System (PSPRS)

Plan Description - The Town contributes to the Public Safety Personnel Retirement System (PSPRS), an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium plan that covers public safety personnel who are regularly assigned hazardous duty in the employ of the State of Arizona or a political subdivision thereof. The PSPRS, acting as a common investment administrative agent, is governed by a five-member board, known as the Fund Manager, and the participating local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information for PSPRS. That report may be obtained by writing to Public Safety Personnel, 3010 E. Camelback Road, Suite 200, Phoenix, AZ 85016 or by calling (602) 255-5575.

Funding Policy - For the current fiscal year, active PSPRS member employees were required by statute to contribute 7.65 percent of their annual covered salary to the PSPRS and the Town was required to contribute 17.29 percent, the remaining amounts necessary to fund the PSPRS, as determined by the actuarial basis specified by statute. The health insurance premium portion of the contribution rate was actuarially set at 1.5 percent of covered payroll.

Actuarial Methods and Assumptions – The significant actuarial methods and assumptions used for the PSPRS plan and related benefits (health insurance subsidies and long-term disability), and the actuarial assumptions used to establish the contribution requirements are as follows:

The contribution requirements for the year ended June 30, 2013 were established by the June 30, 2011 actuarial valuations using the entry age normal method. The actuarial assumptions included (a) 8.25 percent investment rate of return and (b) projected salary increases ranging from 5.0 to 8.0 percent per year. The assumptions did not include cost-of-living adjustments and healthcare cost trend rates are not applicable. The actuarial value of assets are determined using techniques that smooth the effects of short-term volatility in the market value of investments and spreads differences between actual and assumed investment return over a seven year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2013, was 23 years for unfunded actuarial accrued liability and 20 years for excess.

The preceding methods comply with the financial reporting standards established by the Governmental Accounting Standards Board. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plans and the annual required contributions are subject to continual revision as actual results are compared to past expectations and new estimates are made.

Annual Pension/OPEB Cost – During the year ended June 30, 2013, the Town's annual pension cost of \$162,819 and the annual OPEB cost of \$17,097 was equal to the Town's required and actual contributions.

TOWN OF CHINO VALLEY, ARIZONA
Notes to the Financial Statements
June 30, 2013

Note 11. Retirement and Pension Plans, Continued

Plan	Year Ended June 30,	Annual Pension/ OPEB Cost	Percentage of Annual Cost Contributed	Net Pension/ OPEB Obligation
Pension	2011	\$ 166,693	100%	-
	2012	150,033	100%	-
	2013	162,819	100%	-
Health Insurance	2011	\$ 17,283	100%	-
	2012	19,049	100%	-
	2013	17,091	100%	-

Funded Status and Funding Progress – The funded status of the plan as of June 30, 2013 is as follows:

	Retirement	Insurance Subsidy
Actuarial accrued liability (AAL)	\$ 5,720,184	\$ 184,056
Actuarial value of plan assets	4,260,221	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 1,459,963</u>	<u>\$ 184,056</u>
Funded ratio (actuarial value of plan assets/AAL)	74.48%	0.00%
Covered payroll (active plan members)	\$ 1,163,976	\$ 1,163,976
UAAL as a percentage of covered payroll	125.43%	15.81%

The schedule of funding progress presented as required supplementary information following the notes to the financial statements, presents 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. This historical trend information is presented in order for a reader to assess the progress made in accumulating sufficient assets to pay pension benefits as they become payable.

Note 12. 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.

TOWN OF CHINO VALLEY, ARIZONA
Notes to the Financial Statements
June 30, 2013

Note 13. Contingent Liabilities and Commitments

The Town is contingently liable with respect to lawsuits and other claims incidental to the ordinary course of its operations. In the opinion of Town management, based on the advice of the Town Attorney with respect to such litigation, such matters will not have a material adverse effect on the Town's financial position at June 30, 2013.

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, 2013, the Town's estimated liability is \$360,542 under such agreements.

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

Project	Spent to Date	Remaining Commitment
Bronze Horse Statue for Roundabout	\$ 244,889	\$ 5,111
Library Construction	23,014	88,401
Road 3 North	197,214	152,684
Total	\$ 267,903	\$ 93,512

Construction agreement contingent liability:

The Town entered into an agreement with a construction contractor to finance the construction of a wastewater treatment plant. The plant is to be constructed in six phases. Phases I-IV have been constructed and completed in fiscal years 2004-09. Phases IV-VI are for additional plant capacity. As of June 30, 2013 Phases V and VI had not been started. There are no minimum payment requirements under the agreement, rather payments are contingent upon hook-ups to the Town's sewer system. The Town has agreed to pay the contractor \$4,100 per hook-up for the first 3,150 hookups to the system. As of June 30, 2013, 1,228 hook-ups remain outstanding for the completed phases of the plant which have been capitalized and a corresponding liability recognized by the Town. See footnote 6 for the related debt recorded.

514 hookups remain outstanding for the unconstructed phases, totaling \$2,107,400, which have not been capitalized and no liability has been recognized. Construction of additional phases is contingent upon the capacity needs of the plant. When additional phases are required and constructed, capital assets and corresponding liabilities will be recognized by the Town.

TOWN OF CHINO VALLEY, ARIZONA
Notes to the Financial Statements
June 30, 2013

Note 14. Restatements and Reclassifications

As mentioned in Note 1 to the financial statements, the Town implemented GASB statement No. 65, *Items Previously Reported as Assets and Liabilities*. The provisions of this statement require that bond issuance costs be expensed in the year they are incurred. Previously bond issuance costs had been treated as an asset and amortized over the life of the related debt. In order to implement GASB statement No. 65, bond issuance costs previously reported as assets had to be removed from the financial statements. This resulted in a restatement of beginning net position in the Town's Water Fund and Sewer Fund in the amount of \$25,385 and \$157,769, respectively. Assets of the Water and Sewer Fund were reduced by the same amount. On the government-wide statements, this also resulted in a restatement of beginning net position in the Town's Governmental Activities and Business-type Activities in the amount of \$301,693 and \$183,154, respectively. Assets of the Governmental Activities and Business-type Activities were reduced by the same amount.

In accordance with GASB No. 65, the government-wide statement of net position reports a deferred charge on refunding of \$692,138 in a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. \$755,060 was deferred and amortized over the shorter of the life of the refunded or refunding debt. The amortization amount for the current year is \$62,922.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF CHINO VALLEY, ARIZONA
Required Supplementary Information

Schedule of Funding Progress
Public Safety Personnel Retirement System – Police

An analysis of the progress of the Public Plan (PSPRS) from June 30, 2008 through June 30, 2013, based on actuarial valuations follows:

	(a)	(b)	(b) - (a)	(a)/(b)	(c)	[(b)-(a)] / (c)
Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	Unfunded AAL As a Percentage of Covered Payroll
June 30, 2008	3,182,973	3,889,247	706,274	81.8%	1,291,162	54.70%
2009 *	3,513,428	4,078,542	565,114	86.1%	1,327,188	42.58%
2010 *	3,810,411	4,218,617	408,206	90.3%	1,249,274	32.68%
2011 *	4,199,486	4,951,396	751,910	84.8%	1,033,460	72.76%
2012 *	4,212,219	5,318,164	1,105,945	79.2%	1,034,332	106.92%
2013 *	4,260,221	5,720,184	1,459,963	74.5%	1,163,976	125.43%

Post-retirement health insurance subsidy measurements under GASB Statement No. 45

	(a)	(b)	(b) - (a)	(a)/(b)	(c)	[(b)-(a)] / (c)
Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	Unfunded AAL As a Percentage of Covered Payroll
June 30, 2008	-	151,238	151,238	0.0%	1,291,162	11.71%
2009 *	-	118,551	118,551	0.0%	1,327,188	8.93%
2010 *	-	131,178	131,178	0.0%	1,249,274	10.50%
2011 *	-	167,655	167,655	0.0%	1,033,460	16.22%
2012 *	-	187,398	187,398	0.0%	1,034,332	18.12%
2013 *	-	184,056	184,056	0.0%	1,163,976	15.81%

* For fiscal years prior to 2009 (which were prior to the implementation of GASB Statement Nos. 43 and 45), the pension and health insurance benefit amounts were aggregated. In fiscal year 2009, GASB Statements Nos. 43 and 45 measurements are made and reported; thus, these benefits are disaggregated and reported separately.

SUPPLEMENTARY INFORMATION
COMBINING STATEMENTS
AND BUDGETARY COMPARISON SCHEDULES

Non-major Governmental Funds

Special Revenue Funds

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

- The **Highway User Revenue Special Revenue Fund** is used to account for revenue sources that are legally restricted for road construction and maintenance.
- The **CDBG Fund** is used to account for federal and state grants and other contributions that are restricted for use toward community development.
- The **Grants Fund** is used to account for miscellaneous federal and state grants and other contributions that are restricted for specific use.
- The **Street Lighting Improvement District** is used to charge property taxes in an amount sufficient to cover expenses associated with street lights.

Debt Service Fund

- The **Debt Service Fund** is used to account for the accumulation of resources for, and the payment of current and future debt service requirements for governmental debt principal and interest.

Capital Project Funds

Capital projects funds are used to account for the acquisition and construction of major capital facilities and equipment other than those financed by proprietary funds and trust funds.

- The **Capital Improvement Capital Projects Fund** accounts for sales tax revenues and bond proceeds used for capital projects and other internally designated purposes.
- The **Police Impact Fee Fund** accounts for development impact fees earmarked for the development of Town police department facilities.
- The **Library Impact Fee Fund** accounts for development impact fees earmarked for the development of the Town Library.
- The **Parks and Recreation Impact Fee Fund** accounts for development impact fees earmarked for the development of Town parks and recreation facilities.
- The **Roads Impact Fee Fund** accounts for development impact fees earmarked for the development of Town roads.

TOWN OF CHINO VALLEY, ARIZONA
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2013

	Special Revenue				
	Highway User Revenue Fund	CDBG	Grants	Street Lighting Improvement District	Debt Service
ASSETS					
Cash	\$ 754,457	\$ -	\$ 131,921	\$ -	\$ -
Accounts receivable	-	-	43,355	874	-
Due from other governments	71,699	-	-	-	-
Due from other funds	127,960	-	16,857	144	119,284
Restricted cash	-	-	-	-	177,060
Total assets	\$ 954,116	\$ -	\$ 192,133	\$ 1,018	\$ 296,344
LIABILITIES					
Accounts payable	\$ 24,694	\$ -	\$ 55,629	\$ 632	\$ 10,775
Accrued wages and benefits	5,892	-	-	-	-
Accrued liabilities	79	-	-	-	12
Due to other funds	-	-	-	-	-
Total liabilities	30,665	-	55,629	632	10,787
FUND BALANCE					
Restricted for:					
Highways and streets	923,451	-	-	386	-
Capital improvements	-	-	-	-	-
Debt service	-	-	-	-	285,557
Public safety	-	-	136,504	-	-
Assigned to:					
Capital improvements	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances	923,451	-	136,504	386	285,557
Total liabilities and fund balance	\$ 954,116	\$ -	\$ 192,133	\$ 1,018	\$ 296,344

Capital Projects

<u>Capital Improvements</u>	<u>Police Impact Fee</u>	<u>Library Impact Fee</u>	<u>Parks and Recreation Impact Fee</u>	<u>Roads Impact Fee</u>	<u>Total</u>
\$ 3,898	\$ 75,793	\$ 91,142	\$ 108,153	\$ 2,051,076	\$ 3,216,440
-	-	-	-	-	44,229
289,472	-	-	-	-	361,171
21,901	3,096	-	-	-	289,242
1,456	-	-	-	-	178,516
<u>\$ 316,727</u>	<u>\$ 78,889</u>	<u>\$ 91,142</u>	<u>\$ 108,153</u>	<u>\$ 2,051,076</u>	<u>\$ 4,089,598</u>
\$ 92,260	\$ -	\$ 3,402	\$ 12,853	\$ 12,945	\$ 213,190
-	-	-	-	-	5,892
1,553	-	-	21	-	1,665
93,811	-	3,777	71,885	86,190	255,663
<u>187,624</u>	<u>-</u>	<u>7,179</u>	<u>84,759</u>	<u>99,135</u>	<u>476,410</u>
-	-	-	-	-	923,837
-	78,889	83,963	23,394	1,951,941	2,138,187
-	-	-	-	-	285,557
-	-	-	-	-	136,504
129,103	-	-	-	-	129,103
-	-	-	-	-	-
<u>129,103</u>	<u>78,889</u>	<u>83,963</u>	<u>23,394</u>	<u>1,951,941</u>	<u>3,613,188</u>
<u>\$ 316,727</u>	<u>\$ 78,889</u>	<u>\$ 91,142</u>	<u>\$ 108,153</u>	<u>\$ 2,051,076</u>	<u>\$ 4,089,598</u>

TOWN OF CHINO VALLEY, ARIZONA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2013

	Special Revenue				Debt Service
	Highway User Revenue Fund	CDBG	Grants	Street Lighting Improvement District	
REVENUES:					
Taxes	\$ -	\$ -	\$ -	\$ 3,808	\$ -
Licenses and permits	1,460	-	-	-	-
Intergovernmental	747,180	315,162	448,065	-	-
Impact fees	-	-	-	-	-
Interest	1,813	-	199	-	-
Other revenues	9,526	-	78,684	-	-
Total revenues	759,979	315,162	526,948	3,808	-
EXPENDITURES:					
Current:					
General government	-	-	1,020	-	2,720
Public safety	-	-	50,832	-	-
Public works/streets	583,905	-	-	3,726	-
Culture and recreation	-	-	685	-	-
Health and welfare	-	-	39,320	-	-
Capital outlay	-	315,162	369,878	-	190,477
Debt service	-	-	-	-	623,886
Total expenditures	583,905	315,162	461,735	3,726	817,083
Excess of revenues over (under) expenditures	176,074	-	65,213	82	(817,083)
Other Financing Sources (Uses):					
Transfers in	-	-	964	-	603,587
Transfers out	-	-	-	-	-
Total other financing sources (uses):	-	-	964	-	603,587
Net change in fund balances	176,074	-	66,177	82	(213,496)
Fund balances, beginning of year	747,377	-	70,327	304	499,053
Fund balances, end of year	\$ 923,451	\$ -	\$ 136,504	\$ 386	\$ 285,557

Capital Projects					
<u>Capital Improvements</u>	<u>Police Impact Fee</u>	<u>Library Impact Fee</u>	<u>Parks and Recreation Impact Fee</u>	<u>Roads Impact Fee</u>	<u>Total</u>
\$ 1,294,076	\$ -	\$ -	\$ -	\$ -	\$ 1,297,884
-	-	-	-	-	1,460
195,661	-	-	-	-	1,706,068
-	3,390	565	1,845	23,964	29,764
8,725	81	117	124	2,304	13,363
-	-	-	-	-	88,210
<u>1,498,462</u>	<u>3,471</u>	<u>682</u>	<u>1,969</u>	<u>26,268</u>	<u>3,136,749</u>
-	-	-	-	-	3,740
-	-	-	-	-	50,832
-	-	-	-	-	587,631
-	-	-	-	-	685
-	-	-	-	-	39,320
315,424	1,218	23,015	96,574	669,304	1,981,052
-	-	-	-	-	623,886
<u>315,424</u>	<u>1,218</u>	<u>23,015</u>	<u>96,574</u>	<u>669,304</u>	<u>3,287,146</u>
<u>1,183,038</u>	<u>2,253</u>	<u>(22,333)</u>	<u>(94,605)</u>	<u>(643,036)</u>	<u>(150,397)</u>
-	-	-	-	-	604,551
<u>(1,358,388)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,358,388)</u>
<u>(1,358,388)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(753,837)</u>
(175,350)	2,253	(22,333)	(94,605)	(643,036)	(904,234)
<u>304,453</u>	<u>76,636</u>	<u>106,296</u>	<u>117,999</u>	<u>2,594,977</u>	<u>4,517,422</u>
<u>\$ 129,103</u>	<u>\$ 78,889</u>	<u>\$ 83,963</u>	<u>\$ 23,394</u>	<u>\$ 1,951,941</u>	<u>\$ 3,613,188</u>

TOWN OF CHINO VALLEY, ARIZONA
HIGHWAY USER REVENUE
Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Licenses and permits	\$ 1,850	\$ 1,850	\$ 1,460	\$ (390)
Intergovernmental revenue	762,561	762,561	747,180	(15,381)
Fines and forfeitures	350	350	-	(350)
Interest	1,500	1,500	1,813	313
Other revenues	-	-	9,526	9,526
	<u>766,261</u>	<u>766,261</u>	<u>759,979</u>	<u>(6,282)</u>
EXPENDITURES:				
Public Works/Streets:				
Salaries	340,091	340,091	309,613	30,478
Employee benefits	145,788	145,788	130,335	15,453
Utilities	21,050	21,050	9,158	11,892
Services, supplies, and other	233,435	233,435	134,799	98,636
Contingencies	17,630	17,630	-	17,630
	<u>757,994</u>	<u>757,994</u>	<u>583,905</u>	<u>174,089</u>
Excess of revenues over (under) expenditures	<u>8,267</u>	<u>8,267</u>	<u>176,074</u>	<u>167,807</u>
Other Financing Sources (Uses):				
Sale of assets	5,000	5,000	-	(5,000)
Transfers out	(26,263)	(26,263)	-	26,263
	<u>(21,263)</u>	<u>(21,263)</u>	<u>-</u>	<u>21,263</u>
Net change in fund balance	(12,996)	(12,996)	176,074	189,070
Fund balance, beginning of year	<u>747,377</u>	<u>747,377</u>	<u>747,377</u>	<u>-</u>
Fund balance, end of year	<u>\$ 734,381</u>	<u>\$ 734,381</u>	<u>\$ 923,451</u>	<u>\$ 189,070</u>

TOWN OF CHINO VALLEY, ARIZONA
CDBG
Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental revenue	\$ 313,000	\$ 313,000	\$ 315,162	\$ 2,162
Total revenue	<u>313,000</u>	<u>313,000</u>	<u>315,162</u>	<u>2,162</u>
EXPENDITURES:				
Public Works/Streets:				
Services, supplies, and other	18,059	18,059	-	18,059
Capital outlay	<u>294,941</u>	<u>294,941</u>	<u>315,162</u>	<u>(20,221)</u>
Total expenditures	<u>313,000</u>	<u>313,000</u>	<u>315,162</u>	<u>(2,162)</u>
Excess of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

TOWN OF CHINO VALLEY, ARIZONA
GRANTS
Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental revenue	\$ 546,560	\$ 546,560	\$ 448,065	\$ (98,495)
Interest	75	75	199	124
Other revenues	<u>-</u>	<u>-</u>	<u>78,684</u>	<u>78,684</u>
Total revenue	<u>546,635</u>	<u>546,635</u>	<u>526,948</u>	<u>(19,687)</u>
EXPENDITURES:				
General government:				
Services, supplies, and other	<u>50,000</u>	<u>50,000</u>	<u>1,020</u>	<u>48,980</u>
Public safety:				
Services, supplies, and other	<u>297,903</u>	<u>297,903</u>	<u>50,832</u>	<u>247,071</u>
Culture and recreation:				
Services, supplies, and other	<u>56,000</u>	<u>56,000</u>	<u>685</u>	<u>55,315</u>
Health and welfare:				
Salaries	51,141	51,141	17,038	34,103
Employee benefits	6,411	6,411	67	6,344
Services, supplies, and other	<u>69,760</u>	<u>69,760</u>	<u>22,215</u>	<u>47,545</u>
	<u>127,312</u>	<u>127,312</u>	<u>39,320</u>	<u>87,992</u>
Capital outlay	<u>119,700</u>	<u>119,700</u>	<u>369,878</u>	<u>(250,178)</u>
Total expenditures	<u>650,915</u>	<u>650,915</u>	<u>461,735</u>	<u>189,180</u>
Excess of revenues over (under) expenditures	<u>(104,280)</u>	<u>(104,280)</u>	<u>65,213</u>	<u>169,493</u>
Other financing sources (uses):				
Transfers in	<u>31,403</u>	<u>31,403</u>	<u>964</u>	<u>(30,439)</u>
Net change in fund balance	(72,877)	(72,877)	66,177	139,054
Fund balance, beginning of year	<u>70,327</u>	<u>70,327</u>	<u>70,327</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ (2,550)</u></u>	<u><u>\$ (2,550)</u></u>	<u><u>\$ 136,504</u></u>	<u><u>\$ 139,054</u></u>

TOWN OF CHINO VALLEY, ARIZONA
STREET LIGHTING IMPROVEMENT DISTRICT
Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes	\$ 3,958	\$ 3,958	\$ 3,808	\$ (150)
Total revenue	<u>3,958</u>	<u>3,958</u>	<u>3,808</u>	<u>(150)</u>
EXPENDITURES:				
Public Works/Streets:				
Utilities	<u>3,946</u>	<u>3,946</u>	<u>3,726</u>	<u>220</u>
Total expenditures	<u>3,946</u>	<u>3,946</u>	<u>3,726</u>	<u>220</u>
Excess of revenues over (under) expenditures	<u>12</u>	<u>12</u>	<u>82</u>	<u>70</u>
Fund balance, beginning of year	<u>304</u>	<u>304</u>	<u>304</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 316</u></u>	<u><u>\$ 316</u></u>	<u><u>\$ 386</u></u>	<u><u>\$ 70</u></u>

TOWN OF CHINO VALLEY, ARIZONA
DEBT SERVICE FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Interest	\$ -	\$ -	\$ -	\$ -
Total revenue	-	-	-	-
EXPENDITURES:				
General government:				
Professional fees	2,501	2,501	2,720	(219)
Capital outlay	235,697	235,697	190,477	45,220
Debt service:				
Principal	102,029	102,029	37,029	65,000
Interest	511,748	511,748	586,857	(75,109)
Total expenditures	851,975	851,975	817,083	34,892
Excess of revenues over (under) expenditures	(851,975)	(851,975)	(817,083)	34,892
Other Financing Sources (Uses):				
Transfers in	616,854	616,854	603,587	(13,267)
Total other financing sources(uses):	616,854	616,854	603,587	(13,267)
Net change in fund balance	(235,121)	(235,121)	(213,496)	21,625
Fund balance, beginning of year	499,053	499,053	499,053	-
Fund balance, end of year	\$ 263,932	\$ 263,932	\$ 285,557	\$ 21,625

TOWN OF CHINO VALLEY, ARIZONA
CAPITAL IMPROVEMENT
Capital Project Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
City sales tax	\$ 1,146,000	\$ 1,146,000	\$ 1,294,076	\$ 148,076
Intergovernmental revenue	2,000,000	2,000,000	195,661	(1,804,339)
Interest	650	650	8,725	8,075
Total revenue	<u>3,146,650</u>	<u>3,146,650</u>	<u>1,498,462</u>	<u>(1,648,188)</u>
EXPENDITURES:				
Capital outlay	<u>2,000,000</u>	<u>2,000,000</u>	<u>315,424</u>	<u>1,684,576</u>
Total expenditures	<u>2,000,000</u>	<u>2,000,000</u>	<u>315,424</u>	<u>1,684,576</u>
Excess of revenues over (under) expenditures	<u>1,146,650</u>	<u>1,146,650</u>	<u>1,183,038</u>	<u>36,388</u>
Other Financing Sources (Uses):				
Transfers out	<u>(1,358,390)</u>	<u>(1,358,390)</u>	<u>(1,358,388)</u>	<u>2</u>
Total other financing sources (uses):	<u>(1,358,390)</u>	<u>(1,358,390)</u>	<u>(1,358,388)</u>	<u>2</u>
Net change in fund balance	(211,740)	(211,740)	(175,350)	36,390
Fund balance, beginning of year	<u>304,453</u>	<u>304,453</u>	<u>304,453</u>	<u>-</u>
Fund balance, end of year	<u>\$ 92,713</u>	<u>\$ 92,713</u>	<u>\$ 129,103</u>	<u>\$ 36,390</u>

TOWN OF CHINO VALLEY, ARIZONA
POLICE IMACT FEE
Capital Project Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Impact Fees	\$ 1,470	\$ 1,470	\$ 3,390	\$ 1,920
Interest	60	60	81	21
Total revenue	<u>1,530</u>	<u>1,530</u>	<u>3,471</u>	<u>1,941</u>
EXPENDITURES:				
Capital outlay	<u>58,354</u>	<u>58,354</u>	<u>1,218</u>	<u>57,136</u>
Total expenditures	<u>58,354</u>	<u>58,354</u>	<u>1,218</u>	<u>57,136</u>
Excess of revenues over (under) expenditures	<u>(56,824)</u>	<u>(56,824)</u>	<u>2,253</u>	<u>59,077</u>
Fund balance, beginning of year	<u>76,636</u>	<u>76,636</u>	<u>76,636</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 19,812</u></u>	<u><u>\$ 19,812</u></u>	<u><u>\$ 78,889</u></u>	<u><u>\$ 59,077</u></u>

TOWN OF CHINO VALLEY, ARIZONA
LIBRARY IMPACT FEE
Capital Project Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Impact fees	\$ 565	\$ 565	\$ 565	\$ -
Interest	<u>70</u>	<u>70</u>	<u>117</u>	<u>47</u>
Total revenue	<u>635</u>	<u>635</u>	<u>682</u>	<u>47</u>
EXPENDITURES:				
Capital outlay	<u>111,608</u>	<u>111,608</u>	<u>23,015</u>	<u>88,593</u>
Total expenditures	<u>111,608</u>	<u>111,608</u>	<u>23,015</u>	<u>88,593</u>
Excess of revenues over (under) expenditures	(110,973)	(110,973)	(22,333)	88,640
Fund balance, beginning of year	<u>106,296</u>	<u>106,296</u>	<u>106,296</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ (4,677)</u></u>	<u><u>\$ (4,677)</u></u>	<u><u>\$ 83,963</u></u>	<u><u>\$ 88,640</u></u>

TOWN OF CHINO VALLEY, ARIZONA
PARKS AND RECREATION IMPACT FEE
Capital Project Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Impact fees	\$ 1,845	\$ 1,845	\$ 1,845	\$ -
Interest	70	70	124	54
Total revenue	<u>1,915</u>	<u>1,915</u>	<u>1,969</u>	<u>54</u>
EXPENDITURES:				
Capital outlay	<u>117,952</u>	<u>117,952</u>	<u>96,574</u>	<u>21,378</u>
Total expenditures	<u>117,952</u>	<u>117,952</u>	<u>96,574</u>	<u>21,378</u>
Excess of revenues over (under) expenditures	(116,037)	(116,037)	(94,605)	21,432
Fund balance, beginning of year	<u>117,999</u>	<u>117,999</u>	<u>117,999</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,962</u>	<u>\$ 1,962</u>	<u>\$ 23,394</u>	<u>\$ 21,432</u>

TOWN OF CHINO VALLEY, ARIZONA
ROADS IMPACT FEE
Capital Project Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Impact Fees	\$ 15,140	\$ 15,140	\$ 23,964	\$ 8,824
Interest	<u>1,300</u>	<u>1,300</u>	<u>2,304</u>	<u>1,004</u>
Total Revenue	<u>16,440</u>	<u>16,440</u>	<u>26,268</u>	<u>9,828</u>
EXPENDITURES:				
Capital outlay	<u>370,000</u>	<u>370,000</u>	<u>669,304</u>	<u>(299,304)</u>
Total Expenditures	<u>370,000</u>	<u>370,000</u>	<u>669,304</u>	<u>(299,304)</u>
Excess of revenues over (under) expenditures	(353,560)	(353,560)	(643,036)	(289,476)
Fund balance, beginning of year	<u>2,594,977</u>	<u>2,594,977</u>	<u>2,594,977</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 2,241,417</u></u>	<u><u>\$ 2,241,417</u></u>	<u><u>\$ 1,951,941</u></u>	<u><u>\$ (289,476)</u></u>

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STATISTICAL SECTION

This part of the Town of Chino Valley’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government’s overall financial health.

Contents	Page
Financial Trends.....	71
<i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	
Revenue Capacity	76
<i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	
Debt Capacity.....	82
<i>These schedules present information to help the reader assess the affordability of the government's current level of outstanding debt and the government's ability to issue additional debt in the future.</i>	
Demographic and Economic Information.....	86
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i>	
Operating Information	89
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i>	

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Town of Chino Valley, Arizona
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

Fiscal Year

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Governmental Activities										
Net Investment in Capital Assets:	\$ 4,980,301	\$ 3,682,665	\$ 3,389,640	\$ 3,061,154	\$ 4,337,598	\$ 2,028,364	\$ 1,800,961	\$ 1,335,678	\$ 1,484,070	\$ 2,509,616
Restricted	1,269,672	3,502,026	4,800,924	4,786,087	4,000,072	6,668,333	6,207,107	4,732,926	4,280,241	3,556,297
Unrestricted	874,967	880,013	1,078,861	1,095,459	1,415,418	1,809,426	2,144,281	2,375,715	2,430,076	3,485,697
Total Governmental Activities Net Assets	<u>\$ 7,124,940</u>	<u>\$ 8,064,704</u>	<u>\$ 9,269,425</u>	<u>\$ 8,942,700</u>	<u>\$ 9,753,088</u>	<u>\$ 10,506,123</u>	<u>\$ 10,152,349</u>	<u>\$ 8,444,319</u>	<u>\$ 8,194,387</u>	<u>\$ 9,551,610</u>
Business-type activities										
Net Investment in Capital Assets:	\$ 571,854	\$ 5,946,020	\$ 8,326,621	\$ 14,170,758	\$ 14,081,988	\$ 16,782,113	\$ 18,486,662	\$ 17,662,445	\$ 17,042,946	\$ 16,360,590
Restricted					154,608	231,283	379,394	459,182	458,987	524,391
Unrestricted	391,908	(2,877,709)	(3,505,375)	(6,859,504)	(4,992,441)	(2,992,737)	(3,022,133)	(3,193,523)	(3,399,728)	(3,906,099)
Total Business-Type Activities Net Assets	<u>\$ 963,762</u>	<u>\$ 3,068,311</u>	<u>\$ 4,821,246</u>	<u>\$ 7,311,254</u>	<u>\$ 9,244,155</u>	<u>\$ 14,020,659</u>	<u>\$ 15,843,923</u>	<u>\$ 14,928,104</u>	<u>\$ 14,102,205</u>	<u>\$ 12,978,882</u>
Primary government										
Net Investment in Capital Assets:	\$ 5,552,155	\$ 9,628,685	\$ 11,716,261	\$ 17,231,912	\$ 18,419,586	\$ 18,810,477	\$ 20,287,623	\$ 18,998,123	\$ 18,527,016	\$ 18,870,206
Restricted	1,269,672	3,502,026	4,800,924	4,786,087	4,154,680	6,899,616	6,586,501	5,192,108	4,739,228	4,080,688
Unrestricted	1,266,875	(1,997,696)	(2,426,514)	(5,764,045)	(3,577,023)	(1,183,311)	(877,852)	(817,808)	(969,652)	(420,402)
	<u>\$ 8,088,702</u>	<u>\$ 11,133,015</u>	<u>\$ 14,090,671</u>	<u>\$ 16,253,954</u>	<u>\$ 18,997,243</u>	<u>\$ 24,526,782</u>	<u>\$ 25,996,272</u>	<u>\$ 23,372,423</u>	<u>\$ 22,296,592</u>	<u>\$ 22,530,492</u>

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

Expenses	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Governmental activities:										
General Government	\$ 3,242,730	\$ 3,625,084	\$ 4,023,776	\$ 4,786,152	\$ 4,435,347	\$ 1,678,308	\$ 2,911,780	\$ 3,115,747	\$ 2,867,718	\$ 3,015,601
Public Safety	1,999,022	2,210,581	2,758,309	3,017,124	2,995,168	2,943,285	2,678,291	2,750,768	2,467,357	2,472,409
Streets	803,829	626,537	1,384,603	1,062,752	1,006,950	1,051,760	1,778,978	1,531,504	707,108	721,841
Culture and Recreation	1,107,958	1,032,189	1,271,778	1,875,435	1,936,070	1,345,011	1,254,221	1,390,896	1,226,036	1,198,383
Health and Welfare						260,604	212,537	247,530	232,990	239,226
Interest on Long-Term Debt	23,998	198,185	294,308	336,559	304,451	26,742	20,867	1,266,752	514,714	508,898
Total Governmental Activities Expenses	7,177,537	7,692,576	9,732,774	11,078,022	10,677,986	7,305,710	8,856,674	10,303,197	8,015,923	8,156,358
Business-Type Activities:										
Water	91,303	441,103	869,747	1,015,765	985,011	757,920	512,123	667,534	655,975	733,396
Sewer	28,362	339,233	529,588	510,678	765,551	1,534,611	2,097,818	2,192,778	2,187,974	2,221,272
Total Business-Type Activities Expenses	119,665	780,336	1,399,335	1,526,443	1,750,562	2,292,531	2,609,941	2,860,312	2,843,949	2,954,668
Total Primary Government Expenses	\$ 7,297,202	\$ 8,472,912	\$ 11,132,109	\$ 12,604,465	\$ 12,428,548	\$ 9,598,241	\$ 11,466,615	\$ 13,163,509	\$ 10,859,872	\$ 11,111,026
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	972,448	1,191,623	1,066,095	1,012,311	897,707	351,583	239,945	243,740	356,527	546,893
Public Safety						212,815	178,412	178,644	162,082	169,389
Streets							5,570	1,719	1,504	10,985
Culture and Recreation	49,293	52,391	137,598	138,394	123,472	48,825	63,581	80,687	86,244	88,189
Health and Welfare						24,601	13,161	12,078	11,188	9,281
Operating Grants and Contributions	1,338,552	1,213,497	1,429,677	1,665,164	1,395,476	1,423,164	1,436,082	1,345,516	1,199,771	1,006,900
Capital Grants and Contributions			10,000	587,978	115,665	220,362	212,012	606,874	206,591	1,003,311
Total Governmental Activities Program Revenues	2,360,293	2,457,511	2,643,370	3,403,847	2,532,320	2,281,350	2,148,763	2,469,258	2,023,907	2,834,948
Business-Type Activities:										
Charges for Services:										
Water	3,515	305,934	1,002,255	1,115,569	626,118	434,025	390,036	406,119	416,219	439,577
Sewer	8,254	512,989	758,836	777,302	928,646	863,450	1,025,172	1,103,636	1,088,471	1,069,377
Operating Grants and Contributions						150,258	172,473		177,612	-
Capital Grants and Contributions		602,662			1,548,248	4,448,641	2,358,756	135,718	58,538	114,730
Total Business-Type Activities Program Revenues	11,769	1,421,585	1,761,091	1,892,871	3,253,270	5,918,589	3,773,964	1,645,473	1,740,840	1,623,684
Total Primary Government Program Revenues	\$ 2,372,062	\$ 3,879,096	\$ 4,404,461	\$ 5,296,718	\$ 5,785,590	\$ 8,199,939	\$ 5,922,727	\$ 4,114,731	\$ 3,764,747	\$ 4,458,632

(continued)

Town of Chino Valley, Arizona
Changes in Net Position
Last Ten Fiscal Years
(Continued)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Net (expense)/revenue										
Governmental Activities	\$ (4,817,244)	\$ (5,235,065)	\$ (7,089,404)	\$ (7,674,175)	\$ (8,145,666)	\$ (5,024,360)	\$ (6,707,911)	\$ (7,833,939)	\$ (5,992,016)	\$ (5,321,410)
Business-Type Activities	(107,896)	641,249	361,756	366,428	1,502,708	3,626,058	1,164,023	(1,214,839)	(1,103,109)	(1,330,984)
Total Primary Government Net Expense	\$ (4,925,140)	\$ (4,593,816)	\$ (6,727,648)	\$ (7,307,747)	\$ (6,642,958)	\$ (1,398,302)	\$ (5,543,888)	\$ (9,048,778)	\$ (7,095,125)	\$ (6,652,394)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
City Sales Tax	\$ 2,402,059	\$ 3,853,024	\$ 5,812,580	\$ 5,051,201	\$ 4,863,355	4,434,620	\$ 3,571,732	\$ 3,379,524	\$ 3,507,894	\$ 3,882,227
State Sales taxes						980,616	904,475	932,899	845,244	885,391
Auto Lieu Tax						727,395	669,831	656,953	555,907	564,341
State Sales taxes-Revenue Sharing	1,943,865	2,056,084	2,387,097	3,362,410	3,633,480	1,836,536	1,591,287	1,199,626	912,963	1,104,933
Property tax							3,375	3,770	4,042	3,809
Franchise tax	116,541	122,526	138,594	151,157	153,585	151,439	147,167	142,101	138,431	133,055
Impact Fees	793,050	1,229,024	1,023,035	579,617	369,126					
Other	23,742	212,061	29,938	56,459	10,094					
Unrestricted Investment Earnings	16,820	152,707	263,045	257,380	346,008	74,574	9,992	72,706	11,824	14,498
Gain on Sale of Assets						(3,436)	77,140		9,795	-
Transfers	(126,800)	(1,450,597)	(1,360,164)	(2,110,774)	(419,596)	(1,110,331)	(620,862)	(261,670)	(244,016)	(362,988)
Total Governmental Activities	5,169,277	6,174,829	8,294,125	7,347,450	8,956,052	7,091,413	6,354,137	6,125,909	5,742,084	6,225,266
Business-Type Activities:										
Unrestricted Investment Earnings		12,703	31,015	12,806	10,596	40,115	38,379	37,350	33,194	27,827
Grants and Contributions not restricted	750,000									
Transfers	126,800	1,450,597	1,360,164	2,110,774	419,596	1,110,331	620,862	261,670	244,016	362,988
Total Business-Type Activities	876,800	1,463,300	1,391,179	2,123,580	430,192	1,150,446	659,241	299,020	277,210	390,815
Total Primary Government	\$ 6,046,077	\$ 7,638,129	\$ 9,685,304	\$ 9,471,030	\$ 9,386,244	\$ 8,241,859	\$ 7,013,378	\$ 6,424,929	\$ 6,019,294	\$ 6,616,081
Change in Net Asset										
Governmental Activities	\$ 352,033	\$ 939,764	\$ 1,204,721	\$ (326,725)	\$ 810,386	\$ 2,067,053	\$ (353,774)	\$ (1,708,030)	\$ (249,932)	\$ 903,856
Business-Type Activities	768,904	2,104,549	1,752,935	2,490,008	1,932,900	4,776,504	1,823,264	(915,819)	(825,899)	(940,169)
Total Primary Government	\$ 1,120,937	\$ 3,044,313	\$ 2,957,656	\$ 2,163,283	\$ 2,743,286	\$ 6,843,557	\$ 1,469,490	\$ (2,623,849)	\$ (1,075,831)	\$ (36,313)

* Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2004

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

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
General Fund										
Reserved	\$ 7,280	\$ 7,448	\$ 15,314	\$ 5,942	\$ 2,345	\$ 2,112	\$ 11,240	\$ 7,732	\$ 111,591	\$ 219,719
Unreserved	1,275,358	1,041,209	1,370,306	1,256,702	1,558,352	2,218,190	2,578,941	2,715,237	2,716,403	3,092,751
Total General Fund	<u>\$ 1,282,638</u>	<u>\$ 1,048,657</u>	<u>\$ 1,385,620</u>	<u>\$ 1,262,644</u>	<u>\$ 1,560,697</u>	<u>\$ 2,220,302</u>	<u>\$ 2,590,181</u>	<u>\$ 2,722,969</u>	<u>\$ 2,827,994</u>	<u>\$ 3,312,470</u>
All other Governmental Funds										
Reserved:										
Highways and Streets	\$ 136,612	\$ 988,050	\$ 1,138,885	\$ 1,558,969	\$ 1,387,080	\$ 997,827	\$ 1,486,838	\$ 638,866	\$ 747,681	\$ 923,837
Development Impact Fees	728,879	6,710,920	4,213,929	7,110,582	4,866,749	5,637,347	4,639,329	3,075,999	2,895,908	2,138,187
Debt Service				40,452				374,013	499,053	285,557
Public Safety									70,327	136,504
Grants	(96,343)							118,198		
Other Purposes					90	31,047	69,700			
Assigned for:										
Capital Improvements	400,322							518,462	304,452	129,103
Unassigned:								(344)		
Total all other Governmental Funds	<u>\$ 1,169,470</u>	<u>\$ 7,698,970</u>	<u>\$ 5,352,814</u>	<u>\$ 8,710,003</u>	<u>\$ 6,253,919</u>	<u>\$ 6,666,221</u>	<u>\$ 6,195,867</u>	<u>\$ 4,725,194</u>	<u>\$ 4,517,421</u>	<u>\$ 3,613,188</u>

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
Taxes	\$ 2,518,600	\$ 3,975,550	\$ 5,951,174	\$ 5,202,358	\$ 5,016,940	\$ 4,586,059	\$ 3,722,276	\$ 3,525,394	\$ 3,650,366	\$ 4,019,091
Licenses and Permits	685,442	830,814	709,453	530,420	480,940	223,658	174,077	177,433	281,820	178,614
Intergovernmental	3,154,129	3,265,114	3,807,126	5,020,916	5,052,787	4,872,059	4,750,169	4,664,352	3,541,795	4,443,541
Charges for Services	141,739	183,561	187,043	263,791	226,989	137,874	107,176	123,242	150,323	438,798
Fines and Forfeitures	194,560	229,639	271,486	335,924	300,575	272,281	215,818	211,102	183,666	192,564
Impact Fees	793,050	1,229,024	1,023,035	579,617	369,126	126,014	22,522		11,132	29,764
Interest	16,820	152,707	263,045	257,380	346,008	74,574	9,992	72,706	11,824	14,498
Other Revenues	152,030	216,528	85,297	671,665	114,603	194,010	44,592	54,608	169,286	106,335
Total Revenues	\$ 7,656,370	\$ 10,082,937	\$ 12,297,659	\$ 12,862,071	\$ 11,907,968	\$ 10,486,529	\$ 9,046,622	\$ 8,828,837	\$ 8,000,212	\$ 9,423,205
Expenditures										
Current:										
General Government	\$ 2,978,169	\$ 3,619,239	\$ 3,961,986	\$ 4,609,763	\$ 3,964,809	\$ 3,149,155	\$ 2,781,391	\$ 3,229,263	\$ 2,774,513	\$ 2,831,438
Public Safety	1,853,955	2,099,080	2,881,915	2,899,877	2,814,527	2,767,352	2,570,408	2,621,419	2,459,829	2,402,089
Public Works	617,804	512,744	1,282,393	942,080	863,704	685,248	478,017	1,350,212	559,413	587,631
Culture and Recreation	1,036,427	928,815	1,376,890	1,533,614	1,523,187	976,041	900,389	1,020,998	959,040	827,282
Health and Welfare						226,030	177,330	213,973	211,961	227,476
Capital Outlay	18,777	3,305,746	4,587,634	4,639,516	1,034,220	394,839	1,551,991	1,223,077	306,271	1,981,052
Debt service	198,976	691,350	473,900	845,748	766,226	163,522	143,849	7,537,403	618,630	623,886
Total Expenditures	6,704,108	11,156,974	14,564,718	15,470,598	10,966,673	8,362,187	8,603,375	17,196,345	7,889,657	9,480,854
Revenues over (under) Expenditures	952,262	(1,074,037)	(2,267,059)	(2,608,527)	941,295	2,124,342	443,247	(8,367,508)	110,555	(57,649)
Other Finance Sources (Uses)										
Sale of Assets						57,896	77,140	11,293	30,713	879
Bond Proceeds		7,699,513	250,000	5,708,492	-			7,280,000		
Payment to refunded debt escrow agent					(2,999,018)					
Transfers in	65,500		662,642	1,642,188	4,683,257	364,768	429,833	1,666,199	1,321,598	1,023,203
Transfers out	(192,300)	(330,125)	(662,642)	(1,498,568)	(4,779,968)	(1,475,099)	(1,050,695)	(1,927,869)	(1,565,614)	(1,386,191)
Total other Finance Sources (uses)	(126,800)	7,369,388	250,000	5,852,112	(3,095,729)	(1,052,435)	(543,722)	7,029,623	(213,303)	(362,109)
Net Change in Fund Balances	\$ 825,462	\$ 6,295,351	\$ (2,017,059)	\$ 3,243,585	\$ (2,154,434)	\$ 1,071,907	\$ (100,475)	\$ (1,337,885)	\$ (102,748)	\$ (419,758)
Debt Service as a Percentage of Noncapital Expenditures	3%	10%	5%	8%	8%	2%	2%	89%	9%	9%

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

<u>Fiscal Year</u>	<u>Limited Property Value -Primary</u>		<u>Full Cash Value-Secondary</u>		<u>Ratio of Net Assessed to Total Values</u>
	<u>Net Assessed Value</u>	<u>Total Value</u>	<u>Net Assessed Value</u>	<u>Total Value</u>	
2003-2004	48,010,491	386,371,996	50,704,123	405,132,215	13%
2004-2005	55,206,997	442,086,141	58,130,830	463,329,305	13%
2005-2006	62,491,905	504,238,915	64,845,063	522,102,669	12%
2006-2007	73,660,808	611,720,593	81,283,795	682,257,529	12%
2007-2008	87,984,637	734,962,056	116,815,366	976,209,959	12%
2008-2009	99,671,389	843,348,902	122,276,572	1,027,145,426	12%
2009-2010	97,702,687	829,906,042	105,453,785	885,502,082	12%
2010-2011	88,307,350	736,203,336	90,631,086	751,939,515	12%
2011-2012	74,109,132	616,331,804	74,322,200	622,456,044	12%
2012-2013	66,970,381	570,467,244	67,121,326	573,338,223	12%

Source: Yavapai County Assessor

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

<u>Tax Authority</u>	<u>2003-2004</u>	<u>2004-2005</u>	<u>2005-2006</u>	<u>2006-2007</u>	<u>2007-2008</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	1.6808	1.7000	1.7000	1.6552	1.5292	1.3683	1.2842	1.3524	1.4305	1.6426
School Equalization	0.4717	0.4600	0.4400				0.3306	0.3564	0.4259	0.4717
Yavapai College	1.5672	1.5600	1.4900	1.4308	1.3397	1.1989	1.1250	1.2046	1.4274	1.6725
Chino Valley School District	3.6630	4.1300	3.7900	3.1742	3.7429	3.1492	3.3696	2.7647	3.7791	4.2320
Total Primary	<u>7.3827</u>	<u>7.8500</u>	<u>7.4200</u>	<u>6.2602</u>	<u>6.6118</u>	<u>5.7164</u>	<u>6.1094</u>	<u>5.6781</u>	<u>7.0629</u>	<u>8.0188</u>

Source: Yavapai County Treasurer

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

Tax Authority	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013
Town of Chino Valley	-	-	-	-	-	-	-	-	-	-
Fire District Assistance	0.1000	0.1000	0.1000	0.0895	0.0829	0.0722	0.0740	0.0813	0.0928	0.1000
Flood Control District	0.2183	0.2000	0.2000	0.1983	0.1723	0.1723	0.1723	0.1994	0.2483	0.2963
Library District	0.1124	0.1100	0.1100	0.1020	0.1016	0.1020	0.1016	0.1188	0.1456	0.1660
Yavapai College	0.3106	0.2900	0.2600	0.2265	0.1828	0.1405	0.1367	0.1563	0.1901	0.2150
Chino Valley School District	1.3243	1.2100	1.0700	0.9410	0.7133	0.5245	0.5486	0.5747	0.6739	0.7845
Chino Valley Fire District		2.0400	2.0400	2.5400	2.6745	2.1280	2.1400	2.3250	2.8220	3.4531
Total Secondary	<u>2.0656</u>	<u>3.9500</u>	<u>3.7800</u>	<u>4.0973</u>	<u>3.9274</u>	<u>3.1395</u>	<u>3.1732</u>	<u>3.4555</u>	<u>4.1727</u>	<u>5.0149</u>

Source: Yavapai County Treasurer

Town of Chino Valley, Arizona
Sales Tax Revenues by Industry
Fiscal Years 2013, 2012, 2011, 2010 and 2009

	Fiscal Year 2008-2009		Fiscal Year 2009-2010		Fiscal Year 2010-2011		Fiscal Year 2011-2012		Fiscal Year 2012-2013	
	Tax Paid	Percentage of Total								
Construction	\$ 818,432	18.47%	\$ 375,076	10.51%	\$ 165,563	4.90%	\$ 187,286	5.34%	\$ 428,058	11.03%
Manufacturing	73,620	1.66%	58,754	1.65%	67,278	1.99%	53,107	1.51%	67,869	1.75%
Transportation/Communication/ Utilities	604,166	13.63%	650,060	18.21%	605,846	17.93%	634,512	18.09%	639,694	16.48%
Wholesale Trade	125,701	2.84%	121,368	3.40%	118,221	3.50%	140,008	3.99%	135,349	3.49%
Retail Trade	1,862,429	42.02%	1,685,231	47.20%	1,670,215	49.42%	1,758,983	50.14%	1,787,495	46.04%
Restaurants/Bars	322,470	7.28%	274,082	7.68%	286,598	8.48%	291,732	8.32%	298,752	7.70%
Insurance/Real Estate	425,723	9.61%	264,447	7.41%	248,979	7.37%	262,331	7.48%	273,188	7.04%
Services	78,236	1.77%	60,323	1.69%	68,179	2.02%	88,126	2.51%	101,702	2.62%
All Other	121,365	2.74%	80,827	2.26%	148,645	4.40%	91,809	2.62%	150,121	3.87%
Total	\$ 4,432,142	100.00%	\$ 3,570,169	100.00%	\$ 3,379,524	100.00%	\$ 3,507,893	100.00%	\$ 3,882,227	100.00%

Source: Arizona Department of Revenue

Note:

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

Town of Chino Valley, Arizona
Direct and Overlapping Sales Tax Rates
As of June 30, 2013

	Rates		
	City	State and Yavapai County	Combined
Privilege Tax, except retail, utilities, and telecommunication	4.000%	6.350%	10.350%
Retail	4.000%	6.325%	10.325%
Hotel/Motel (additional Tax)	3.000%	6.325%	9.325%
Restaurant/Bar	4.000%	6.325%	10.325%
Use Tax	3.000%	5.600%	8.600%
Construction	4.000%	6.325%	10.325%

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

Town of Chino Valley, Arizona
Actual Excise Tax Collections
Last Ten Fiscal Years
(modified accrual basis of accounting)

<u>Fiscal Year</u>	<u>City Sales Tax</u>	<u>Franchise Tax</u>	<u>State Shared Sales Tax</u>	<u>Urban Revenue Share</u>	<u>Vehicle License Tax</u>	<u>Total</u>
2003-2004	2,371,261	116,541	687,092	736,413	520,361	3,911,307
2004-2005	3,653,493	122,525	756,594	750,772	573,674	5,283,385
2005-2006	5,706,014	138,594	895,535	855,104	661,414	7,595,247
2006-2007	4,843,267	151,157	1,171,457	1,399,327	816,581	7,565,208
2007-2008	4,808,851	153,585	1,132,717	1,734,497	791,220	7,829,650
2008-2009	4,170,358	151,438	980,617	1,836,536	727,395	7,138,949
2009-2010	3,460,446	147,168	904,476	1,591,287	669,831	6,103,377
2010-2011	3,379,524	142,100	932,899	1,199,626	656,953	5,654,149
2011-2012	3,507,894	138,429	845,245	912,963	555,907	5,404,531
2012-2013	3,882,228	133,055	885,392	1,104,933	564,341	6,569,949

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

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

Fiscal Year	Governmental Activities			Business-Type Activities					Total Primary Government	Percentage of Personal Income	Per Capita (a)	
	Capital Leases	Revenue Bonds	Loans Payable	Capital Leases	Notes Payable	Loans Payable	Related Party Capital Leases	Revenue Bonds				Developer Agreement
2003-2004	238,252		141,734	-	-			328,375		708,361	*	83
2004-2005	152,711	7,700,874		42,574	-		3,896,879		507,353	12,300,391	*	1,416
2005-2006	296,078	7,627,915		1,379,574	317,300		3,490,640		507,353	13,618,860	*	1,219
2006-2007	655,623	7,334,956	5,206,824	876,484		1,478,325	3,084,401		444,873	19,081,486	*	1,689
2007-2008	501,815	6,076,997	4,471,816	873,302		10,216,853	3,238,622		426,413	25,805,818	*	2,258
2008-2009	355,694	6,079,038	4,461,808	758,170		10,790,408	4,637,893		424,283	27,507,294	*	2,459
2009-2010	223,371	6,081,079	4,451,800	5,351,967		10,681,637	-		424,283	27,214,137	*	2,477
2010-2011	122,894	7,103,540	3,976,792	4,625,715		10,314,341		746,452	421,443	27,311,177	*	2,523
2011-2012	37,028	7,112,149	3,901,784	4,619,085		9,935,517		746,351	420,733	26,772,647	*	2,477
2012-2013	-	7,120,757	3,891,776	4,619,085		9,544,790		656,251	420,733	26,253,392	*	2,435

(a) See page 86 for population data.

* Means no data available during that fiscal year.

Town of Chino Valley, Arizona
Computation of Direct and Overlapping Debt
June 30, 2013

Jurisdiction	2012-2013 Secondary Assessed Valuation	Net Debt Outstanding	Percentage Applicable to the Town of Chino Valley	Amount Applicable to the Town of Chino Valley	2012-2013 Combined Tax Rate Per \$100 Assessed
State of Arizona	\$ 61,700,292,915	\$ -	0.11%	\$ -	None
Yavapai County	\$ 2,279,676,521	\$ -	2.94%	\$ -	4.8563%
Chino Valley School District	\$ 51,921,463	\$ 1,150,000	100.00%	\$ 1,150,000	0.0500%
Chino Valley Fire District	\$ 107,070,605	\$ 4,470,000	62.69%	\$ 2,802,191	0.0500%
Yavapai County Library District	\$ 2,279,676,521	\$ -	2.94%	\$ -	2.2835%
Yavapai County Community College	\$ 2,279,676,521	\$ 40,470,000	2.94%	\$ 1,191,573	1.8529%
Town of Chino Valley	\$ 67,121,326	\$ 26,253,392	100.00%	\$ 26,253,392	0.0000%
		<u>\$ 72,343,392</u>		<u>\$ 27,444,965</u>	<u>9.0927%</u>

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

Note:

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the Town. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Chino Valley. This process recognizes that, when considering the government's ability to issue and repay long-term debt, 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.

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

	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013
Secondary Assessed Value	\$ 50,704,123	\$ 58,130,830	\$ 64,845,063	\$ 81,283,795	\$ 116,815,366	\$ 122,276,572	\$ 105,453,785	\$ 90,631,086	\$ 74,322,200	\$ 67,121,326
20% Limitation (a)										
Debt Limit Equal to 20% of Assessed Valuation	\$ 10,140,825	\$ 11,626,166	\$ 12,969,013	\$ 16,256,759	\$ 23,363,073	\$ 24,455,314	\$ 21,090,757	\$ 18,126,217	\$ 14,864,440	\$ 13,424,265
Total Debt Applicable to 20% Limit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Legal 20% Debt Margin (Available Borrowing Capacity)	\$ 10,140,825	\$ 11,626,166	\$ 12,969,013	\$ 16,256,759	\$ 23,363,073	\$ 24,455,314	\$ 21,090,757	\$ 18,126,217	\$ 14,864,440	\$ 13,424,265
Total Net Debt Applicable to the 20% Limit as a Percentage of 20% Debt Limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
6% Limitation (b)										
Debt Limit Equal to 6% of Assessed Valuation	\$ 3,042,247	\$ 3,487,850	\$ 3,890,704	\$ 4,877,028	\$ 7,008,922	\$ 7,336,594	\$ 6,327,227	\$ 5,437,865	\$ 4,459,332	\$ 4,027,280
Total Debt Applicable to 6% Limit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Legal 6% Debt Margin (Available Borrowing Capacity)	\$ 3,042,247	\$ 3,487,850	\$ 3,890,704	\$ 4,877,028	\$ 7,008,922	\$ 7,336,594	\$ 6,327,227	\$ 5,437,865	\$ 4,459,332	\$ 4,027,280
Total Net Debt Applicable to the 6% Limit as a Percentage of 6% Debt Limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	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.

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

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

GADA 2007 Serues				
Fiscal Year Ended June 30,	Excise Tax Collection	Debt Service		Coverage
		Principal	Interest	
2012	5,404,531		181,344	29.80
2013	6,569,949	65,000	178,744	26.95

Water Revenue Bonds Series 2010				
Fiscal Year Ended June 30,	Excise Tax Collection	Debt Service		Coverage
		Principal	Interest	
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

WIFA 2007				
Fiscal Year Ended June 30,	Excise Tax Collection	Debt Service		Coverage
		Principal	Interest	
2007	7,565,208		20,900	361.96
2008	7,829,650	64,380	43,576	72.53
2009	7,138,949	66,156	41,801	66.13
2010	6,103,377	67,980	39,976	56.54
2011	5,654,149	69,855	38,100	52.37
2012	5,404,531	71,782	36,174	50.06
2013	6,569,949	73,761	34,194	60.86

WIFA 2008				
Fiscal Year Ended June 30,	Excise Tax Collection	Debt Service		Coverage
		Principal	Interest	
2008	7,829,650		67,801	115.48
2009	7,138,949		136,563	52.28
2010	6,103,377	210,766	136,563	17.57
2011	5,654,149	216,697	130,632	16.28
2012	5,404,531	222,795	124,534	15.56
2013	6,569,949	229,065	59,132	22.80

USDA all issues combined				
Fiscal Year Ended June 30,	Excise Tax Collection	Debt Service		Coverage
		Principal	Interest	
2009	7,138,949	10,534	84,816	74.87
2010	6,103,377	42,294	272,447	19.39
2011	5,654,149	88,549	178,979	21.13
2012	5,404,531	92,154	175,257	20.21
2013	6,569,949	96,145	171,383	24.56

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

<u>Fiscal Year</u>	<u>Town Population</u>	<u>County Population</u>	<u>County Personal Income (in thousands)+</u>	<u>County Per Capita Personal Income</u>	<u>School Enrollment</u>	<u>Yavapai County Unemployment Rate</u>
2003-2004	8,506	182,534	4,681,083	26	*	5.1%
2004-2005	8,688	187,623	5,278,898	28	*	4.6%
2005-2006	11,175	196,629	5,816,674	30	*	4.4%
2006-2007	11,296	202,764	6,332,616	31	*	3.9%
2007-2008	11,429	211,211	6,627,607	31	2752	3.6%
2008-2009	11,188	211,917	6,034,069	28	2791	6.0%
2009-2010	10,988	210,899	6,015,150	29	3003	10.3%
2010-2011	10,825	211,247	6,248,490	30	3178	10.9%
2011-2012	10,808	211,583	*	*	3392	9.7%
2012-2013	10,783	*	*	*	3443	8.6%

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

* Detailed information not available.

Town of Chino Valley, Arizona
Principal Employers
Current Year and Nine Years Ago

Employer	2013		2012	
	Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment
Chino Valley Unified School	400	3.71%	440	4.07%
Safeway	140	1.30%	140	1.30%
Town of Chino Valley	91	0.84%	91	0.84%
Color Spot	45	0.42%	46	0.43%
Bar S Machine	45	0.42%	44	0.41%
Chino Medical Center	42	0.39%	42	0.39%
Performance Accessories	35	0.32%	40	0.37%
Arizona Highway Safety Specialists	29	0.27%	35	0.32%
Bonn Fire Grill	35	0.32%	35	0.32%
Yavapai College	19	0.18%	18	0.17%
Alco	18	0.17%	14	0.13%
	<u>899</u>	<u>8.34%</u>	<u>945</u>	<u>8.74%</u>

Sources: Central Arizona Regional Economic Development Foundation; various employers

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

Fiscal Year	Function/Program							Total
	General Government	Public Safety	Culture & Recreation	Health and Welfare	Public Works/Streets	Public Works/Water	Public Works/Sewer	
2003-2004	*	*	*	*	*	*	*	*
2004-2005	*	*	*	*	*	*	*	*
2005-2006	49	43	18	4	9	5	0	128
2006-2007	48	42	17	4	9	6	0	126
2007-2008	38	40	11	4	7	5	0	105
2008-2009	34	37	11	3	6	4	2	97
2009-2010	33	37	12	3	6	5	3	99
2010-2011	27	33	9	3	9	3	4	88
2011-2012	26	30	9	3	9	4	4	85
2012-2013	30	30	9	3	11	4	4	91

Source: Town of Chino Valley Budget

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

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

Function/Program	Fiscal Year									
	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013
General Government										
Registered Voters	*	4,357	*	4,721	*	5,736	*	5,766	*	6,027
Votes cast last primary election	*	1,640	*	2,022	*	2,561	*	2,256	*	2,092
Police										
Number of police personnel and officers	*	*	43	42	40	37	37	33	30	30
Arrests	*	*	*	*	642	567	512	388	358	262
Citations	*	*	*	*	1,910	1,418	1,872	1,550	1,539	756
Traffic Stops	*	*	*	*	3,916	4,364	5,466	5,298	5,715	3,503
Security Checks	*	*	*	*	*	*	1,289	2,004	1,906	4,717
Officer Reports	*	*	*	*	5,500	6,350	8,765	8,032	10,662	6,643
Calls for Service	*	*	*	*	11,801	11,855	14,514	13,091	15,350	10,367
Animal Control										
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
Highways & Streets										
Miles of Paved Roads Maintained	*	*	*	*	*	*	*	157.4	157.4	157.4
Street resurfacing (miles)	*	*	*	*	*	*	*	0	0	4
Street sweeping (miles)	*	*	*	*	*	*	*	0	13	13
Potholes repaired (cold mix tons)	*	*	*	*	*	*	186	144	149	214
Water										
Number of wells	19	19	19	19	19	19	19	19	19	19
Total well production (acre feet)	73	84	143	188	303	254	245	233	240	255
Number of metered accounts	125	125	391	484	607	607	607	607	607	607
New Residential Connections	0	0	266	93	123	0	0	0	0	0
Number of Water Tanks	1	1	1	1	2	2	2	2	2	2
Storage Capacity (mg)	0.165	0.165	0.165	0.165	1.165	1.165	1.165	1.165	1.165	1.165
Miles of Water Mains	*	*	19.5	19.5	20.5	20.5	20.5	20.5	20.5	20.5
Line Breaks	*	*	*	0	0	3	3	0	1	0
Average Daily Consumption (thousand of gallons)	65	75	127	168	270	227	219	208	213	228
Number of Fire Hydrant	*	*	*	*	103	103	103	103	103	103
Wastewater										
Number of active accounts	0	0	0	0	1,080	1,640	1,669	1,672	1,672	1,685
Average daily sewage treatment gallons	0	0	0	0	0	243,000	299,000	295,000	321,000	324,000
Plant Capacity per day gallons	0	0	125,000	250,000	250,000	500,000	500,000	500,000	500,000	500,000
Gallons Recharged in Aquifer (acre feet)						228	235	225	230	242

(Continued)

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

Function/Program	Fiscal Year									
	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013
Facilities Maintenance										
Number of Buildings Maintained	*	*	*	*	19	19	19	19	20	20
Square Footage of Buildings Maintained	*	*	*	*	55,704	55,704	55,704	55,704	55,704	55,704
Number of HVAC Unites Maintained	*	*	*	*	42	42	42	42	44	44
Parks and Recreation										
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	*	*	*	*	*	*	*	*	1,041,365	931,758
Playgrounds	2	2	2	2	2	2	2	2	2	2
Aquatic Center Admissions	*	*	*	*	*	*	*	*	12,324	11,189
Economic Development										
Building Permits-Commercial	41	31	21	23	20	17	18	11	19	4
Building Permits-Residential	509	577	451	727	423	163	194	167	165	15
Housing Rehabilitations	*	*	*	*	*	*	*	*	*	8
Code Enforcement Cases	*	*	719	573	261	293	216	256	183	208
Planning Cases	*	1	17	7	2	11	8	6	11	17
Culture - Library										
Items in Collections	34,367	38,704	47,259	54,404	55,011	48,882	47,957	52,334	50,581	79,731
Total Items Circulated	88,221	99,252	167,204	147,590	131,697	131,446	129,982	90,700	110,926	*
Reference Transactions	4,452	4,688	5,000	4,362	4,431	4,008	3,209	5,863	5,753	*
Computer Uses	*	503	15,500	15,500	15,000	15,000	15,000	15,600	15,600	15,603
Inter Library Loan	5,883	7,025	10,271	10,227	10,591	10,916	11,362	18,696	8,904	18,061
Total Library Attendance	57,305	63,108	70,441	75,005	75,971	72,302	59,082	68,791	68,934	*
Culture - Senior Center										
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

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

<u>Function/Program</u>	<u>2003-2004</u>	<u>2004-2005</u>	<u>2005-2006</u>	<u>2006-2007</u>	<u>2007-2008</u>	<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	1	1	1	1	1
Patrol units	5	7	11	16	17	20	19	21	19	19
Highways and Streets										
Streets (miles)	*	*	*	*	*	*	*	157.4	157.4	157.4
Water										
Water mains (miles)	*	*	19.5	19.5	19.5	19.5	19.5	19.5	19.5	19.5
Fire hydrants	*	*	*	*	103	103	103	103	103	103
Sewer										
Sanitary Sewer (miles)					23	23	23	23	23	23
Maximum daily treatment capacity (thousands of gallons)	*	125,000	125,000	250,000	250,000	500,000	500,000	500,000	500,000	500,000
Recreation and Aquatics										
Parks Acreage	*	*	*	*	47	47	47	47	47	47
Number of Parks	5	5	5	5	5	5	5	5	5	5
Swimming Pools	0	0	1	1	1	1	1	1	1	1
Ball Fields	2	2	2	2	6	6	6	6	6	6

* Not available

Sources: Various City Departments

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OTHER COMMUNICATIONS FROM INDEPENDENT AUDITORS

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KEVIN L. STEPHENS, CPA
MARK E. TICHENOR, CPA

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

The Honorable Mayor and
Town Council
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, 2013, and the related notes to the financial statements, which collectively comprise the Town of Chino Valley's basic financial statements and have issued our report thereon dated November 11, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Chino Valley'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's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Chino Valley's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the schedule of findings and recommendations dated November 11, 2013 that we consider to be significant deficiencies.

12-01 Year-End Adjustments

Compliance and Other Matters

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

Purpose of this Report

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



HintonBurdick, PLLC
Flagstaff, Arizona
November 11, 2013

MEMBERS:

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

The Honorable Mayor and
Town Council
Chino Valley, Arizona

We have audited the basic financial statements of the Town of Chino Valley, Arizona for the year ended June 30, 2013, and have issued our report thereon dated November 11, 2013. Our audit also included test work on the Town of Chino Valley's compliance with selected requirements identified in the State of Arizona Revised Statutes and the Arizona State Constitution including, but not limited to, Title 28, Chapter 18, Article 2.

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

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

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, The Town of Chino Valley complied, in all material respects, with the requirements identified above for the year ended June 30, 2013.

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

Hinton Burdick, PLLC

HintonBurdick, PLLC
Flagstaff, Arizona
November 11, 2013