

TOWN OF CHINO VALLEY, ARIZONA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020





**Prepared by the Finance Department Joe R. Duffy,
CPA, Administrative Services Director**

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Town of Chino Valley, Arizona

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Introductory Section





December 17, 2020

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, 2020 is submitted herewith. This report was prepared by the Town's Finance Department, in conformity with accounting principles generally accepted in the United States of America (GAAP) as prescribed in pronouncement of the Governmental Accounting Standards Board (GASB).

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

The Town of Chino Valleys' financial statements have been audited by Henry & Horne, LLP, a firm of licensed certified public accountants. The goal of the independent audit is to prove reasonable assurance that the financial statements of the Town of Chino Valley for the fiscal year ended June 30, 2020 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosure in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement preparation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the Town of Chino Valley's statements for the fiscal year ended June 30, 2020 are presented fairly in conformity with GAAP. The report of the independent auditor is presented as the first component of the financial section of this report.

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

REPORTING ENTITY

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

PROFILE OF THE TOWN OF CHINO VALLEY

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

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

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

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

STATE ROUTE HIGHWAY 89

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

The Town is actively promoting the development of the Chino Valley Regional Business Park at Old Home Manor. The business park includes a new access road, water and sewer infrastructure for prospective businesses. The Regional Business Park is anticipated to encourage additional investment and economic activity within the area.

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

FINANCIAL INFORMATION

Internal Controls

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

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

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

Budgetary Controls

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

The Town operates under the Home Rule Option that must be adopted by the local voters every four years. Home Rule allows the Mayor and Council, as part of the annual budget process to adopt an Alternative Expenditure Limitation equal to the total amount of budgeted expenditures/expenses as it appears on the annual budget to be adopted each year after a public hearing at which the citizens of the Town may comment. The Town adopted the Local Alternative Expenditure Limitation in August 2020 to be used through June 2025.

Under the Local Alternative Expenditure Limitation, the Town is allowed to adjust the state imposed expenditure base from \$9,147,352 to \$27,976,800 for fiscal year 2019-2020.

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

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

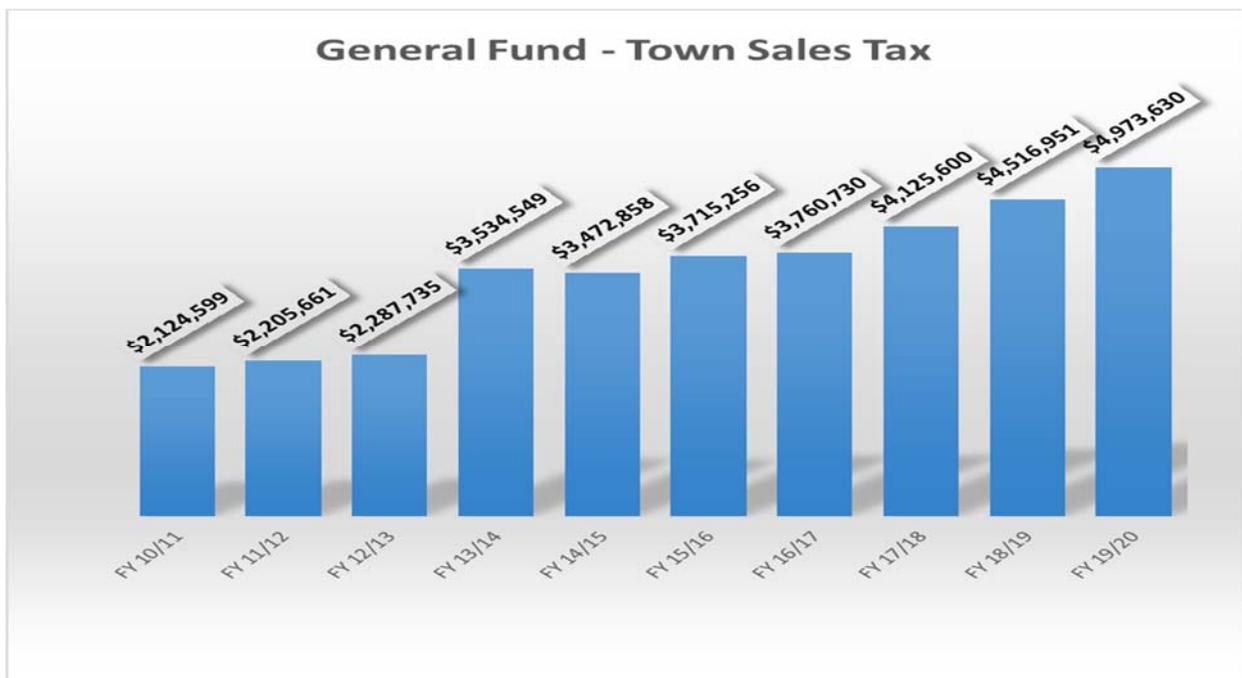
Economic Conditions and Outlook

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

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

In 2000, Chino Valley's population was 7,901; in 2010 the new census revealed a population of 10,825. Chino Valley is experiencing strong growth with the 2019 population estimated at 12,375. Growth was driven by three major housing subdivisions and several smaller developments. Chino Valley has recovered from the economic and housing downturn with a significant increase in new housing over the last three fiscal years.

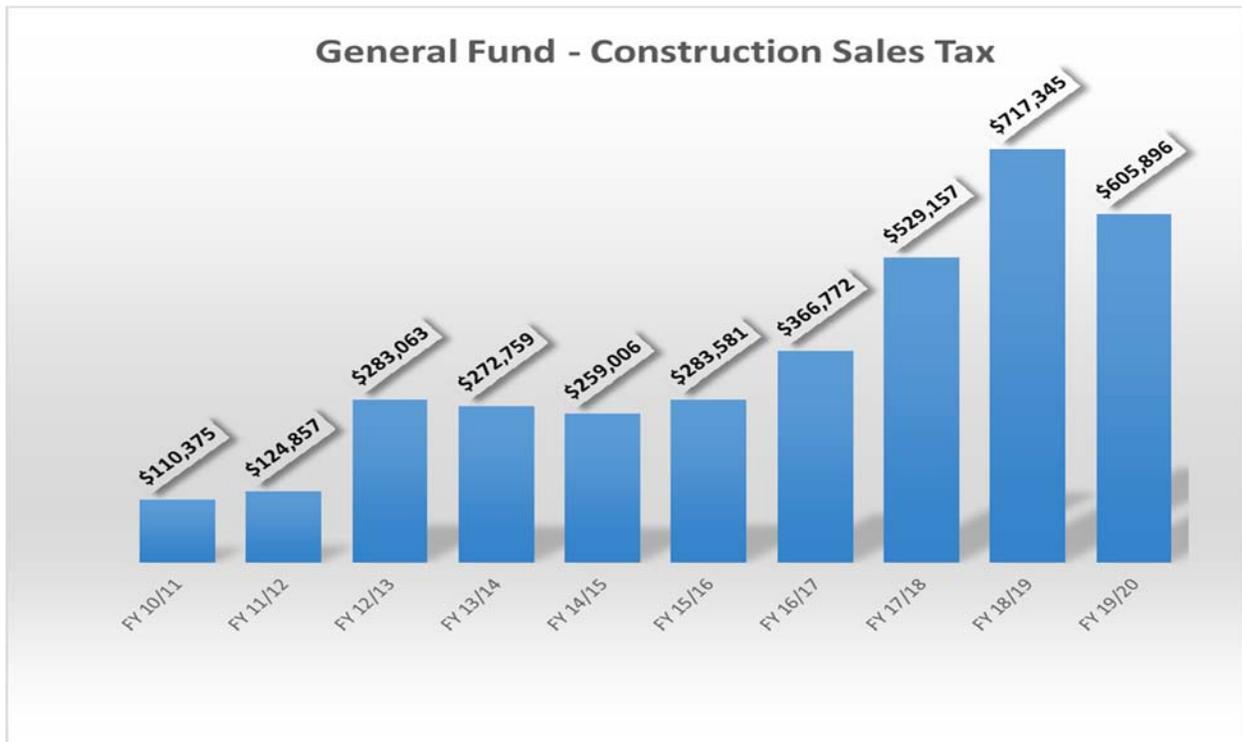
Local Sales Tax, also known as Town Sales Tax, indicators have been mixed since 2011. Local Sales Taxes are comprised of retail, construction, manufacturing, restaurant/bar, hotel/motel, and other taxing categories.



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

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

Construction sales tax by its nature can be volatile and unstable although it has been relatively stable starting in 2012/2013, and has shown steady growth for the last three fiscal years. The graph below shows the fluctuations in construction sales tax from 2010/2011 to 2019/2020.



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 2019 the Town updated the 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 added new lights to one of the ballfields at the community center park.
- The Town completed the expansion of Memory Park which included an expansion, new playground equipment and art.
- The Town also completed the extension of Road One East to the new round a bout on the south end of Town.

The Town made several improvements to its facilities including painting the exterior of most of the Town's buildings, a major drainage project, refurbished the aquatic center slide and acquired several pieces of equipment including several new police cars.

OTHER INFORMATION

Independent Audit

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

Acknowledgements

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

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Joe R. Duffy".

Joe R. Duffy, CPA
Administrative Services Director

TOWN OF CHINO VALLEY, ARIZONA



LIST OF PRINCIPAL OFFICIALS

Town Council

Jack Miller, Mayor

Corey Mendoza, Vice Mayor

Tom Armstrong, Council Member

Cloyce Kelly, Council Member

Eric Granillo, Council Member

Annie Perkins, Council Member

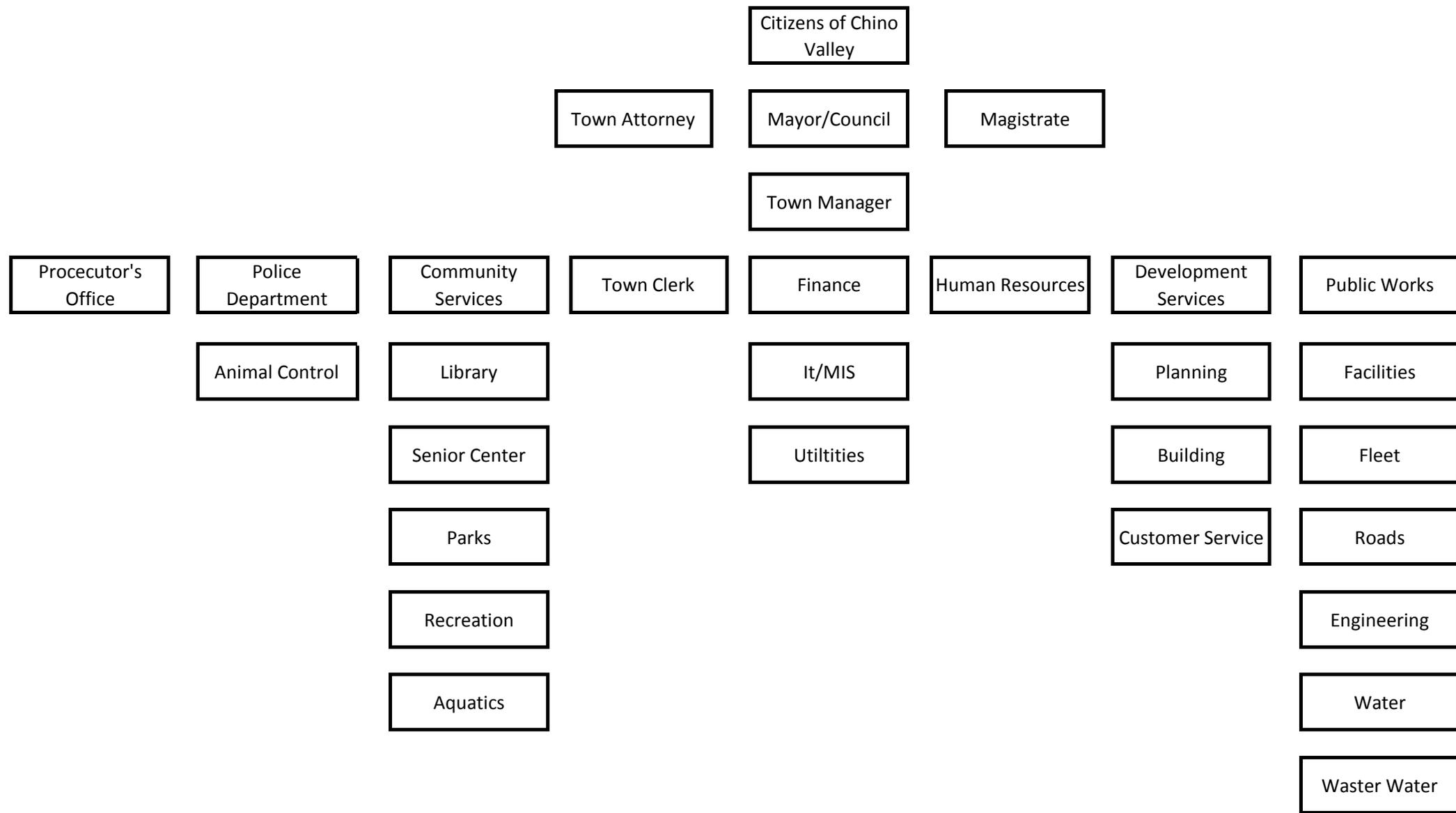
Lon Turner, Council Member

Town Manager

Cecilia Grittmann

Administrative Services Director

Joe R. Duffy, CPA



Financial Section



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Chino Valley, Arizona, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Chino Valley, Arizona, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, Grants and Highway User Revenue Special Revenue Funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Chino Valley, Arizona's basic financial statements. The introductory section, the financial information listed as other supplementary information in the financial section, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements.

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

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

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

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

Other Information (Continued)

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2020 on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Chino Valley, Arizona's, internal control over financial reporting and compliance.

Henry + Horne, LLP

Tempe, Arizona
December 17, 2020

Financial Section

Management's Discussion & Analysis



**TOWN OF CHINO VALLEY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020**

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, 2020. 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 \$27 million at the close of the fiscal year.
- Total net position, excluding the impact of GASB Statement 68, increased by \$3.1 million.
- Governmental taxes and other governmental revenues exceeded expenses by \$3,282,368.
- Business-type expenses exceeded total business-type revenues, including transfers by \$209,164.
- Total revenues from all sources were \$18.7 million.
- The total cost of all Town programs was \$15.6 million.
- The General Fund reported excess revenue over expenditures and transfers of \$15,154.
- At the end of the current fiscal year, fund balance for the General Fund was \$8.4 million or 79% 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.

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

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

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

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

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

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

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

The basic governmental fund financial statements can be found on pages 22-33 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 37-41 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 45-74 of this report.

Other Information - In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the Town of Chino Valley's progress in funding its obligation to provide pension and OPEB benefits to its employees. Required supplementary information can be found on pages 77-82 of this report.

The combining statements referred to earlier in connection with non-major governmental funds and non-major governmental fund budgetary comparisons are presented immediately following the required supplementary information on pensions and OPEB. Combining and individual fund statements and schedules can be found on pages 85-104 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the Town's financial position. The Town's combined assets exceed liabilities by \$27 million as of June 30, 2020 as shown in the following condensed statement of net position. The Town has chosen to account for its water and sewer operations in an enterprise fund which is shown as Business Activities.

	Governmental Activities		Business-type Activities		Total Government	
	6/30/2020	6/30/2019	6/30/2020	6/30/2019	6/30/2020	6/30/2019
Current and other assets	\$ 14,065,609	\$ 11,426,079	\$ 1,343,238	\$ 1,090,976	\$ 15,408,847	\$ 12,517,055
Capital assets	17,701,542	17,354,618	24,781,153	25,996,724	42,482,695	43,351,342
Total assets	<u>31,767,151</u>	<u>28,780,697</u>	<u>26,124,391</u>	<u>27,087,700</u>	<u>57,891,542</u>	<u>55,868,397</u>
Deferred outflows of resources	2,209,418	2,668,764	43,539	60,683	2,252,957	2,729,447
Long-term liabilities outstanding	17,227,266	18,410,892	10,782,504	11,539,336	28,009,770	29,950,228
Other liabilities	1,364,392	741,519	3,139,086	3,126,648	4,503,478	3,868,167
Total liabilities	<u>18,591,658</u>	<u>19,152,411</u>	<u>13,921,590</u>	<u>14,665,984</u>	<u>32,513,248</u>	<u>33,818,395</u>
Deferred inflows of resources	615,448	809,955	33,572	60,467	649,020	870,422
Net position:						
Net investment in capital assets	8,791,146	7,499,509	14,524,764	14,958,859	23,315,910	22,458,368
Restricted	1,500,148	1,445,551	1,004,070	870,202	2,504,218	2,315,753
Unrestricted	4,478,169	2,542,035	(3,316,066)	(3,407,129)	1,162,103	(865,094)
Total net position	<u>\$ 14,769,463</u>	<u>\$ 11,487,095</u>	<u>\$ 12,212,768</u>	<u>\$ 12,421,932</u>	<u>\$ 26,982,231</u>	<u>\$ 23,909,027</u>

Governmental Activities

The cost of all Governmental activities, excluding transfers, this year was \$12.4 million which is 8% higher than last fiscal year. As shown on the statement of Changes in Net Position below, \$871,247 was paid for by those who directly benefited from the programs; \$2,970,979 was subsidized by grants received from other governmental organizations for both capital and operating activities. Overall governmental program revenues, including intergovernmental aid, donations, and fees for services were \$3.8 million. General taxes and investment earnings totaled \$11.9 million.

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

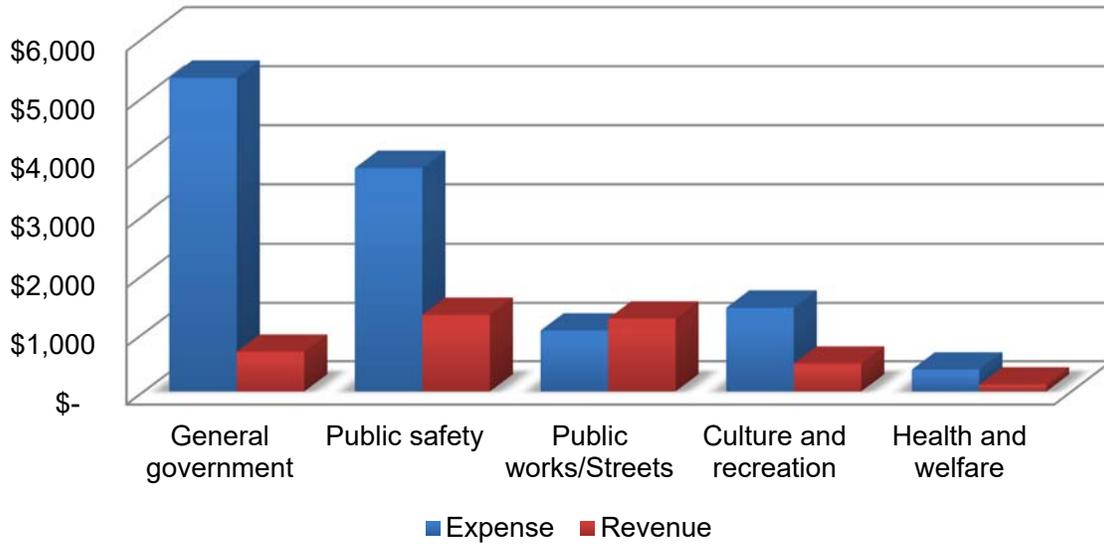
Total resources available during the year to finance governmental operations were \$27.1 million, consisting of net position at July 1, 2019 of \$11.4 million, program revenues of \$3.8 million and General Revenues of \$11.8 million. Total Governmental Activities during the year were \$12.4 million; thus Governmental Net Position was increased by \$3.28 million to \$14.8 million.

Town of Chino Valley, Arizona
Changes in Net Position

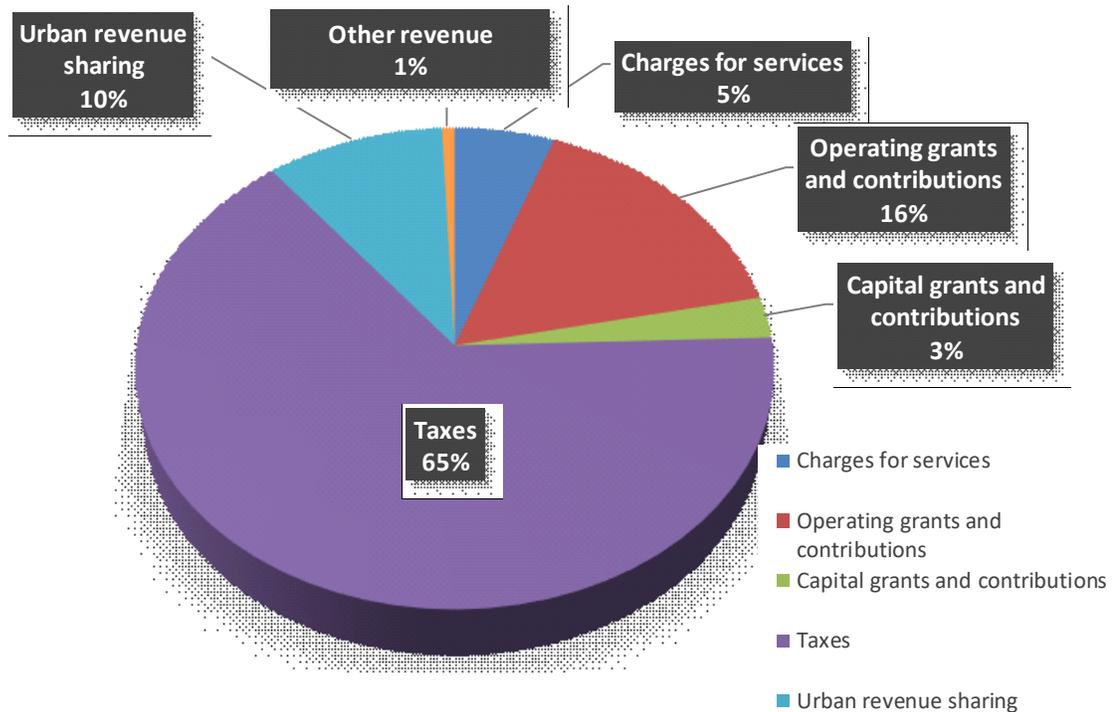
	Governmental Activities		Business-type Activities		Total Government	
	6/30/2020	6/30/2019	6/30/2020	6/30/2019	6/30/2020	6/30/2019
Revenues:						
Program revenues:						
Charges for services	\$ 871,247	\$ 910,223	\$ 2,217,481	\$ 2,107,362	\$ 3,088,728	\$ 3,017,585
Operating grants and contributions	2,539,184	1,347,115	-	-	2,539,184	1,347,115
Capital grants and contributions	431,795	306,403	734,700	675,262	1,166,495	981,665
General revenues:						
Taxes	10,199,353	9,146,342	-	-	10,199,353	9,146,342
Urban revenue sharing	1,552,162	1,417,474	-	-	1,552,162	1,417,474
Other revenue/(expense)	109,255	151,862	59,895	83,313	169,150	235,175
Total revenues	15,702,996	13,279,419	3,012,076	2,865,937	18,715,072	16,145,356
Expenses:						
General government	5,321,346	4,370,977	-	-	5,321,346	4,370,977
Public safety	3,791,771	3,322,096	-	-	3,791,771	3,322,096
Public works/Streets	1,044,909	1,466,468	-	-	1,044,909	1,466,468
Culture and recreation	1,435,113	1,598,490	-	-	1,435,113	1,598,490
Health and welfare	377,054	279,894	-	-	377,054	279,894
Interest on long-term debt	450,435	470,923	-	-	450,435	470,923
Water	-	-	761,521	716,320	761,521	716,320
Sewer	-	-	2,459,719	2,148,553	2,459,719	2,148,553
Total expenses	12,420,628	11,508,848	3,221,240	2,864,873	15,641,868	14,373,721
Increase / (decrease) in net position before special items and transfers	3,282,368	1,770,571	(209,164)	1,064	3,073,204	1,771,635
Special items	-	-	-	-	-	-
Transfers in (out)	-	-	-	-	-	-
Change in net position	3,282,368	1,770,571	(209,164)	1,064	3,073,204	1,771,635
Net position, beginning	11,487,095	9,716,524	12,421,932	12,420,868	23,909,027	22,137,392
Ending net position	\$ 14,769,463	\$ 11,487,095	\$ 12,212,768	\$ 12,421,932	\$ 26,982,231	\$ 23,909,027

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

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



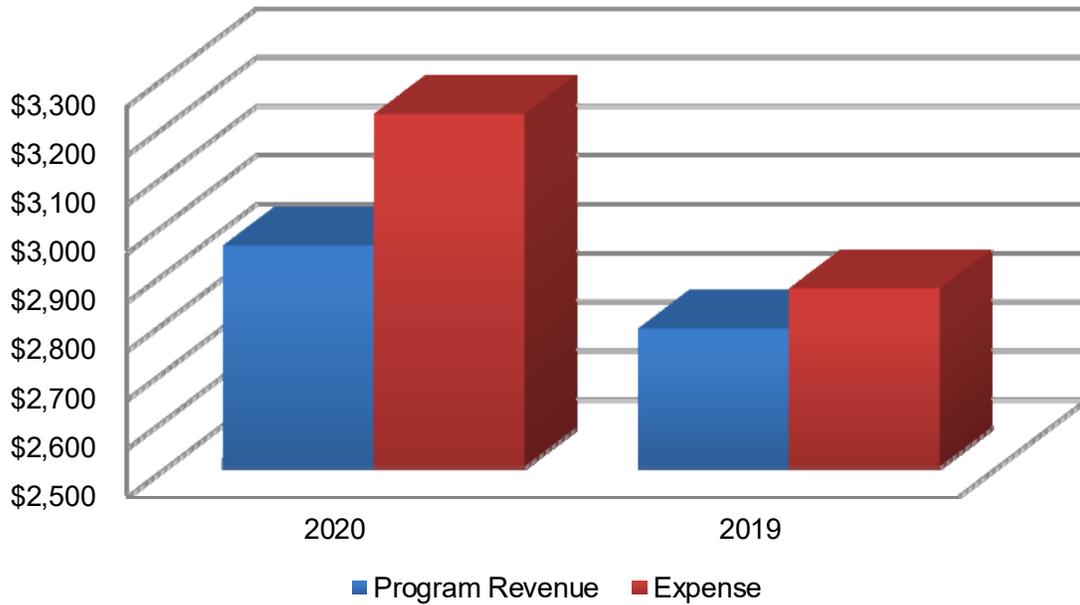
Revenue by Source - Governmental Activities



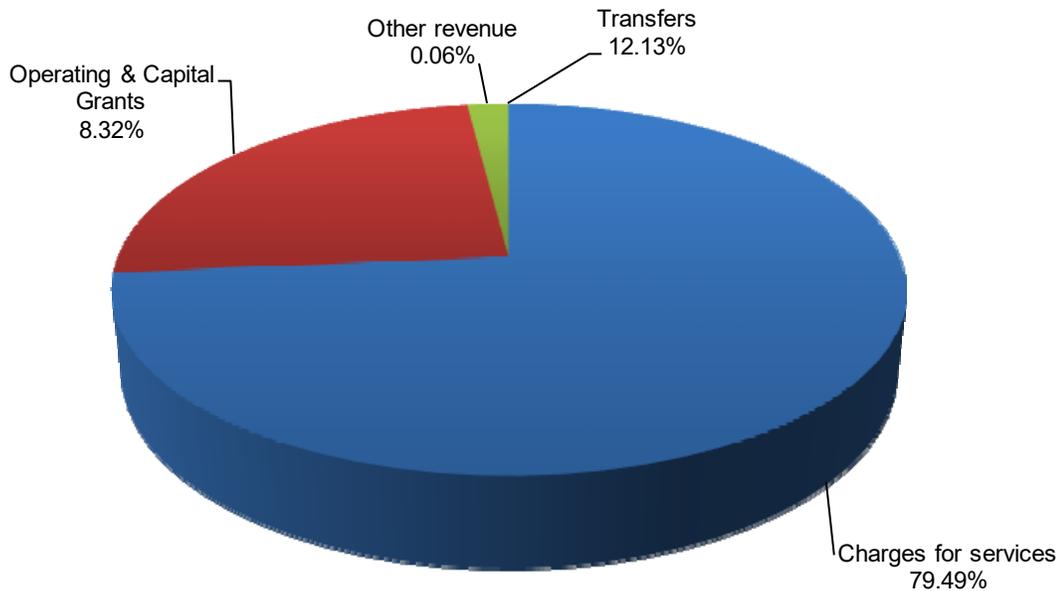
Business Type Activities

Net position of the Business Type activities at June 30, 2020, as reflected in the Statement of Net Position was \$12.2 million. The cost of providing all Proprietary (Business Type) activities this year was \$3.2 million. As shown in the statement of Changes in Net Position, the amounts paid by users of the system were \$2.2 million and there was \$734,700 subsidized by capital grants and contributions. Interest earnings and other revenue were \$59,895. The Net Position decreased by \$209,164.

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

As of the end of the current fiscal year, the Town of Chino Valley's governmental funds reported combined ending fund balances of \$12,701,217 an increase of \$2,016,659 in comparison with the prior year. Approximately, 61% of this total amount, \$7,816,055 constitutes unassigned fund balance, which is available for new spending at the government's discretion. The remainder of the fund balance is restricted or assigned 1) to pay debt service, 2) to pay for capital improvements or 3) for a variety of other restricted purposes.

The general fund is the chief operating fund of the Town of Chino Valley. At the end of the current fiscal year, unassigned fund balance in the general fund was \$7,816,055, while total fund balance is \$8,355,960. 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 74% of total general fund expenditures, while total fund balance represents 79% of the same amount.

During the year, the Town of Chino Valley's General fund balance increased by \$15,154. The key factor in this increase was the Town's continued expenditure control efforts and realized increases in Intergovernmental Revenues and Charges for Service. The Grants fund balance increased by \$6,373. The Capital Improvement fund increased \$1,927,728 due to a one time transfer from the General Fund.

The non-major funds of the Town consist of the Highway User Revenue fund, CDBG, Grants fund, Street Lighting Improvement District fund, Debt service fund and development impact fee funds (Police, Parks/Recreations, and Roads) all of which are restricted or assigned for specific purposes.

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

Net position of the proprietary funds was \$12.21 million as of June 30, 2020. Operating revenues in fiscal year 2020 were \$578,810 for water and \$1,638,671 for sewer while operating expenses were \$743,540 for water and \$2,074,473 for sewer, resulting in operating losses of \$164,730 for water and \$435,802 for sewer. The water and sewer operating expenses increased from the prior year mainly due to increased maintenance and repair costs. The water net operating loss was offset by buy in and connection fees.

General Fund Budgetary Highlights

Actual expenditures, excluding transfers, for the General Fund at year-end were \$649,129 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 2020, net capital assets of the government activities totaled \$17.70 million and the net capital assets of the business-type activities totaled \$24.78 million. Depreciation on capital assets is recognized in the Government-Wide financial statements. (See note 4 to the financial statements)

Debt

At year-end, the Town had \$17.2 million in governmental type debt, and \$10.7 million in proprietary debt. The debt is a liability of the government and amounts to \$2,259 per capita. During the current fiscal year, the Town's total debt decreased by \$1,991,360 and had no change in their credit rating. (See note 5 to the financial statements)

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

In building the Town Budget for fiscal year 2020/2021, the Town Council and management considered the slight increase in state shared revenues, and the adopted utility rate increases and established expenditure budgets accordingly. The town instituted a merit system for town staff.

Chino Valley's continues to see strong housing demand suggesting the economic recovery has begun. The Town anticipates steady revenue increases in most areas and continues to proactively review expenses for potential savings.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

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

Financial Section

Basic Financial Statements

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

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

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

Notes to the Financial Statements



TOWN OF CHINO VALLEY, ARIZONA
STATEMENT OF NET POSITION
June 30, 2020

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 12,575,043	\$ 149,217	\$ 12,724,260
Receivables (net of allowances)	1,471,041	189,951	1,660,992
Prepaid items	19,525	-	19,525
Restricted cash and cash equivalents	-	1,004,070	1,004,070
Capital assets:			
Nondepreciable capital assets	2,733,573	3,969,042	6,702,615
Depreciable capital assets (net of accumulated depreciation)	14,967,969	20,812,111	35,780,080
Total assets	<u>31,767,151</u>	<u>26,124,391</u>	<u>57,891,542</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding	312,617	-	312,617
Deferred outflows of resources related to pensions	1,896,801	43,539	1,940,340
Total deferred outflows of resources	<u>2,209,418</u>	<u>43,539</u>	<u>2,252,957</u>
LIABILITIES			
Accounts payable and other current liabilities	410,559	423,733	834,292
Accrued wages and benefits	268,480	-	268,480
Interest payable	181,893	123,153	305,046
Unearned revenue	503,460	2,592,200	3,095,660
Noncurrent liabilities:			
Due within one year:			
Compensated absences	250,000	11,000	261,000
Loans/ developer agreements payable	-	669,426	669,426
Bonds payable	606,000	55,000	661,000
Due in more than one year:			
Compensated absences	309,078	30,516	339,594
Loans/ developer agreements payable	-	9,216,412	9,216,412
Bonds payable	8,617,013	315,551	8,932,564
Net pension liability	7,445,175	484,599	7,929,774
Total liabilities	<u>18,591,658</u>	<u>13,921,590</u>	<u>32,513,248</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	615,448	33,572	649,020
NET POSITION			
Net investment in capital assets	8,791,146	14,524,764	23,315,910
Restricted for:			
Highways and streets	898,904	-	898,904
Debt service	457,464	1,004,070	1,461,534
Public safety	128,151	-	128,151
Culture and recreation	15,629	-	15,629
Unrestricted (deficit)	4,478,169	(3,316,066)	1,162,103
Total net position	<u>\$ 14,769,463</u>	<u>\$ 12,212,768</u>	<u>\$ 26,982,231</u>

See accompanying notes.

TOWN OF CHINO VALLEY, ARIZONA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
General government	\$ 5,321,346	\$ 633,918	\$ 47,591	\$ -
Public safety	3,791,771	170,788	1,030,712	113,194
Public works/streets	1,044,909	13,013	1,236,448	-
Culture and recreation	1,435,113	52,088	106,625	318,601
Health and welfare	377,054	1,440	117,808	-
Interest on long-term debt	450,435	-	-	-
Total governmental activities	<u>12,420,628</u>	<u>871,247</u>	<u>2,539,184</u>	<u>431,795</u>
Business-type activities				
Water	761,521	578,810	-	357,725
Sewer	2,459,719	1,638,671	-	376,975
Total business-type activities	<u>3,221,240</u>	<u>2,217,481</u>	<u>-</u>	<u>734,700</u>
Total primary government	<u>\$ 15,641,868</u>	<u>\$ 3,088,728</u>	<u>\$ 2,539,184</u>	<u>\$ 1,166,495</u>

General revenues
Taxes:
 Town sales tax
 Franchise tax
 Property tax
 Auto-in-lieu (unrestricted)
 State sales taxes (unrestricted)
 Urban revenue sharing (unrestricted)
 Unrestricted investment earnings
 Miscellaneous

Total general revenues and transfers

Change in net position

Net position, beginning of year

Net position, end of year

Net (Expense) Revenue and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (4,639,837)	\$ -	\$ (4,639,837)
(2,477,077)	-	(2,477,077)
204,552	-	204,552
(957,799)	-	(957,799)
(257,806)	-	(257,806)
(450,435)	-	(450,435)
<u>(8,578,402)</u>	<u>-</u>	<u>(8,578,402)</u>
-	175,014	175,014
<u>-</u>	<u>(444,073)</u>	<u>(444,073)</u>
<u>-</u>	<u>(269,059)</u>	<u>(269,059)</u>
<u>(8,578,402)</u>	<u>(269,059)</u>	<u>(8,847,461)</u>
7,962,355	-	7,962,355
136,263	-	136,263
5,297	-	5,297
852,404	-	852,404
1,243,034	-	1,243,034
1,552,162	-	1,552,162
109,255	14,076	123,331
<u>-</u>	<u>45,819</u>	<u>45,819</u>
<u>11,860,770</u>	<u>59,895</u>	<u>11,920,665</u>
3,282,368	(209,164)	3,073,204
<u>11,487,095</u>	<u>12,421,932</u>	<u>23,909,027</u>
<u>\$ 14,769,463</u>	<u>\$ 12,212,768</u>	<u>\$ 26,982,231</u>

See accompanying notes.



Financial Section

Government Funds Financial Statements

Major Funds

General Fund

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

Grants Fund

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

Highway User Revenue Fund (HURF)

This fund accounts for the Town's share of Arizona's highway user tax revenues and associated expenditures legally restricted for road construction and maintenance.

Debt Service Fund

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

Capital Improvement Fund

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

Non - Major Funds

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

TOWN OF CHINO VALLEY, ARIZONA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2020

	General	Grants	Highway User Revenue Fund	Debt Service
ASSETS				
Cash and cash equivalents	\$ 8,260,706	\$ 55,777	\$ 758,078	\$ 639,357
Receivables, net:				
Accounts receivable	183,378	-	-	-
Intergovernmental	990,637	18,772	87,255	-
Prepays	19,525	-	-	-
Total assets	\$ 9,454,246	\$ 74,549	\$ 845,333	\$ 639,357
LIABILITIES				
Accounts payable	\$ 227,332	\$ 1,176	\$ 7,547	\$ -
Court bonds	2,252	-	-	-
Accrued wages and benefits	268,480	-	-	-
Accrued liabilities	95,050	-	-	-
Matured interest payable	-	-	-	181,893
Customer deposits	1,712	-	-	-
Unearned revenue	503,460	-	-	-
Total liabilities	1,098,286	1,176	7,547	181,893
FUND BALANCES				
Nonspendable				
Prepaid items	19,525	-	-	-
Restricted				
Highways and streets	60,891	-	837,786	-
Culture and recreation	-	15,629	-	-
Debt service	-	-	-	457,464
Public safety	70,407	57,744	-	-
Assigned				
Capital improvements	389,082	-	-	-
Unassigned	7,816,055	-	-	-
Total fund balances	8,355,960	73,373	837,786	457,464
Total liabilities and fund balances	\$ 9,454,246	\$ 74,549	\$ 845,333	\$ 639,357

Capital Improvement	Non-Major Governmental Funds	Total Governmental Funds
\$ 2,860,898	\$ 227	\$ 12,575,043
-	-	183,378
190,999	-	1,287,663
-	-	19,525
<u>\$ 3,051,897</u>	<u>\$ 227</u>	<u>\$ 14,065,609</u>
\$ 75,490	-	\$ 311,545
-	-	2,252
-	-	268,480
-	-	95,050
-	-	181,893
-	-	1,712
-	-	503,460
<u>75,490</u>	<u>-</u>	<u>1,364,392</u>
-	-	19,525
-	227	898,904
-	-	15,629
-	-	457,464
-	-	128,151
2,976,407	-	3,365,489
-	-	7,816,055
<u>2,976,407</u>	<u>227</u>	<u>12,701,217</u>
<u>\$ 3,051,897</u>	<u>\$ 227</u>	<u>\$ 14,065,609</u>



TOWN OF CHINO VALLEY, ARIZONA
 RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
 GOVERNMENTAL FUNDS
 June 30, 2020

Total governmental funds balances		\$ 12,701,217
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	\$ 31,358,378	
Accumulated depreciation	<u>(13,656,836)</u>	17,701,542
Some liabilities, including net pension liabilities, capital leases, loans payable, and bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Net pension liability	(7,445,175)	
Bonds payable	(9,223,013)	
Compensated absences	<u>(559,078)</u>	(17,227,266)
Deferred outflows and inflows of resources related to pensions and deferred charges on debt refundings are applicable to future reporting periods and, therefore, are not reported in the funds.		
Deferred amount on refunding	312,617	
Deferred outflows of resources related to pensions	1,896,801	
Deferred inflows of resources related to pensions	<u>(615,448)</u>	<u>1,593,970</u>
Total net position of governmental activities		<u>\$ 14,769,463</u>

TOWN OF CHINO VALLEY, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2020

	General	Grants	Highway User Revenue Fund
REVENUES			
Taxes	\$ 6,108,029	\$ -	\$ -
Licenses, permits and fees	481,261	-	2,478
Intergovernmental revenues	4,781,528	150,201	1,223,272
Charges for services	87,794	-	-
Fines and forfeitures	205,212	-	-
Interest income	99,685	-	6,413
Other revenues	120,346	43,244	10,535
Total revenues	<u>11,883,855</u>	<u>193,445</u>	<u>1,242,698</u>
EXPENDITURES			
Current:			
General government	4,776,120	18,989	-
Public safety	3,396,451	132,554	-
Public works/streets	-	-	1,141,990
Culture and recreation	1,061,020	6,538	-
Health and welfare	327,949	15,462	-
Capital outlay	500,450	13,529	64,964
Debt service:			
Principal retirement	470,474	-	69,043
Interest and fiscal charges	1,307	-	1,223
Total expenditures	<u>10,533,771</u>	<u>187,072</u>	<u>1,277,220</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,350,084</u>	<u>6,373</u>	<u>(34,522)</u>
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	4,209	-	646
Transfers in	760,861	-	100,000
Transfers out	(2,100,000)	-	-
Total other financing sources and (uses)	<u>(1,334,930)</u>	<u>-</u>	<u>100,646</u>
Net change in fund balances	15,154	6,373	66,124
Fund balances - beginning of year	<u>8,340,806</u>	<u>67,000</u>	<u>771,662</u>
Fund balances - end of year	<u>\$ 8,355,960</u>	<u>\$ 73,373</u>	<u>\$ 837,786</u>

Debt Service	Capital Improvement	Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ 1,990,589	\$ 5,297	\$ 8,103,915
-	-	-	483,739
-	75,018	318,601	6,548,620
-	-	-	87,794
-	-	-	205,212
-	41	3,116	109,255
-	-	-	174,125
<u>-</u>	<u>2,065,648</u>	<u>327,014</u>	<u>15,712,660</u>
-	-	-	4,795,109
-	-	-	3,529,005
-	-	6,889	1,148,879
-	-	-	1,067,558
-	-	-	343,411
-	486,059	318,626	1,383,628
525,000	-	-	1,064,517
366,219	-	-	368,749
<u>891,219</u>	<u>486,059</u>	<u>325,515</u>	<u>13,700,856</u>
<u>(891,219)</u>	<u>1,579,589</u>	<u>1,499</u>	<u>2,011,804</u>
-	-	-	4,855
891,000	2,000,000	-	3,751,861
-	(1,651,861)	-	(3,751,861)
<u>891,000</u>	<u>348,139</u>	<u>-</u>	<u>4,855</u>
(219)	1,927,728	1,499	2,016,659
<u>457,683</u>	<u>1,048,679</u>	<u>(1,272)</u>	<u>10,684,558</u>
<u>\$ 457,464</u>	<u>\$ 2,976,407</u>	<u>\$ 227</u>	<u>\$ 12,701,217</u>



TOWN OF CHINO VALLEY, ARIZONA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2020

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

Net change in fund balances - total governmental funds	\$	2,016,659
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the difference between depreciation expense and capital outlay in the current period.</p>		
Capital outlay	\$	1,520,446
Depreciation expense		<u>(1,135,788)</u>
		384,658
<p>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</p>		
		(37,734)
<p>Town pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension liability is measured a year before the Town's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.</p>		
Town pension contributions		1,127,423
Pension expense		<u>(1,089,570)</u>
		37,853
<p>Repayment of long-term debt (e.g., bonds, leases) principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>		
		1,026,399
<p>Governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.</p>		
Deferred amounts on refunding		(73,078)
Bond discounts		<u>(8,608)</u>
		(81,686)
<p>Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>		
		<u>(63,781)</u>
Change in net position of governmental activities	\$	<u><u>3,282,368</u></u>

TOWN OF CHINO VALLEY, ARIZONA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
Year Ended June 30, 2020

REVENUES	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Taxes				
Town sales tax	\$ 5,158,000	\$ 5,158,000	\$ 5,971,766	\$ 813,766
Franchise taxes	128,000	128,000	136,263	8,263
Total taxes	<u>5,286,000</u>	<u>5,286,000</u>	<u>6,108,029</u>	<u>822,029</u>
Licenses and permits	570,500	570,500	481,261	(89,239)
Intergovernmental:				
State shared sales tax	1,230,000	1,230,000	1,243,034	13,034
State shared income tax	1,549,200	1,549,200	1,552,162	2,962
Vehicle license tax	862,000	862,000	852,404	(9,596)
Grants	86,000	86,000	1,035,079	949,079
Other intergovernmental	109,500	109,500	98,849	(10,651)
Total intergovernmental	<u>3,836,700</u>	<u>3,836,700</u>	<u>4,781,528</u>	<u>944,828</u>
Charges for services	122,500	122,500	87,794	(34,706)
Fines and forfeitures	259,400	259,400	205,212	(54,188)
Interest	120,600	120,600	99,685	(20,915)
Miscellaneous	6,000	6,000	120,346	114,346
Total other revenues	<u>6,000</u>	<u>6,000</u>	<u>120,346</u>	<u>114,346</u>
TOTAL REVENUES	<u>10,201,700</u>	<u>10,201,700</u>	<u>11,883,855</u>	<u>1,682,155</u>
EXPENDITURES				
General government				
Legal services	126,200	126,200	123,769	2,431
Town clerk	214,000	214,000	211,392	2,608
Town Manager	411,500	411,500	428,519	(17,019)
Human resources	258,200	258,200	242,299	15,901
Municipal court	295,800	295,800	291,716	4,084
Finance	455,600	455,600	456,171	(571)
Customer service	89,800	89,800	109,429	(19,629)
Information systems	307,300	307,300	262,600	44,700
Mayor & council	51,200	51,200	41,078	10,122
Planning	211,300	211,300	184,343	26,957
Building inspection	198,400	198,400	208,745	(10,345)
Code enforcement	170,300	170,300	109,361	60,939
Facilities maintenance	492,400	492,400	347,460	144,940
Fleet maintenance	297,700	297,700	224,135	73,565
Engineering	438,300	438,300	432,704	5,596
Contingencies	500,000	500,000	424,026	75,974
Court collection and improvements	50,000	50,000	58,181	(8,181)
Capital assets replacements	60,000	60,000	52,201	7,799
Nondepartmental	731,500	731,500	567,991	163,509
Total general government	<u>5,359,500</u>	<u>5,359,500</u>	<u>4,776,120</u>	<u>583,380</u>

See accompanying notes.

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget- Positive (Negative)
Public safety				
Police	3,416,500	3,416,500	3,255,869	160,631
Animal control	158,100	158,100	140,582	17,518
Total public safety	<u>3,574,600</u>	<u>3,574,600</u>	<u>3,396,451</u>	<u>178,149</u>
Culture and recreation				
Recreation	137,300	137,300	141,097	(3,797)
Library	370,200	370,200	320,194	50,006
Parks maintenance	471,600	471,600	425,094	46,506
Aquatics center	231,600	231,600	174,635	56,965
Total culture and recreation	<u>1,210,700</u>	<u>1,210,700</u>	<u>1,061,020</u>	<u>149,680</u>
Health and welfare				
Senior center	324,600	324,600	327,949	(3,349)
Capital outlay	602,500	602,500	500,450	102,050
Debt service:				
Principal retirement	111,000	111,000	470,474	(359,474)
Interest and fiscal charges	-	-	1,307	(1,307)
Total debt service	<u>111,000</u>	<u>111,000</u>	<u>471,781</u>	<u>(360,781)</u>
TOTAL EXPENDITURES	<u>11,182,900</u>	<u>11,182,900</u>	<u>10,533,771</u>	<u>649,129</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(981,200)</u>	<u>(981,200)</u>	<u>1,350,084</u>	<u>2,331,284</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	1,000	1,000	4,209	3,209
Transfers in	400,000	400,000	760,861	360,861
Transfers out	(2,100,000)	(2,100,000)	(2,100,000)	-
Total other financing sources (uses)	<u>(1,699,000)</u>	<u>(1,699,000)</u>	<u>(1,334,930)</u>	<u>364,070</u>
Net change in fund balance	(2,680,200)	(2,680,200)	15,154	2,695,354
Fund balance - beginning of year	8,340,806	8,340,806	8,340,806	-
Fund balance - end of year	<u>\$ 5,660,606</u>	<u>\$ 5,660,606</u>	<u>\$ 8,355,960</u>	<u>\$ 2,695,354</u>

TOWN OF CHINO VALLEY, ARIZONA
GRANTS FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget- Positive (Negative)
REVENUES				
Intergovernmental revenues	\$ 325,000	\$ 325,000	\$ 150,201	\$ (174,799)
Other revenues	3,500,000	3,500,000	43,244	(3,456,756)
Total revenues	<u>3,825,000</u>	<u>3,825,000</u>	<u>193,445</u>	<u>(3,631,555)</u>
EXPENDITURES				
Current:				
General government	50,000	50,000	18,989	31,011
Public safety	100,000	100,000	132,554	(32,554)
Culture and recreation	100,000	100,000	6,538	93,462
Health and welfare	25,000	25,000	15,462	9,538
Capital outlay	<u>3,225,000</u>	<u>3,225,000</u>	<u>13,529</u>	<u>3,211,471</u>
Total expenditures	<u>3,500,000</u>	<u>3,500,000</u>	<u>187,072</u>	<u>3,312,928</u>
Excess (deficiency) of revenues over (under) expenditures	<u>325,000</u>	<u>325,000</u>	<u>6,373</u>	<u>(318,627)</u>
Net change in fund balance	325,000	325,000	6,373	(318,627)
Fund balance - beginning of year	<u>67,000</u>	<u>67,000</u>	<u>67,000</u>	<u>-</u>
Fund balance - end of year	<u>\$ 392,000</u>	<u>\$ 392,000</u>	<u>\$ 73,373</u>	<u>\$ (318,627)</u>

TOWN OF CHINO VALLEY, ARIZONA
HIGHWAY USER REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Licenses and permits	\$ 2,000	\$ 2,000	\$ 2,478	\$ 478
Intergovernmental revenues	1,010,000	1,010,000	1,223,272	213,272
Interest	5,000	5,000	6,413	1,413
Other revenues	-	-	10,535	10,535
Total revenues	<u>1,017,000</u>	<u>1,017,000</u>	<u>1,242,698</u>	<u>225,698</u>
EXPENDITURES				
Public works/streets	992,200	992,200	1,141,990	(149,790)
Capital outlay	355,000	355,000	64,964	290,036
Debt service:				
Principal retirement	70,300	70,300	69,043	1,257
Interest and fiscal charges	-	-	1,223	(1,223)
Total expenditures	<u>1,417,500</u>	<u>1,417,500</u>	<u>1,277,220</u>	<u>140,280</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(400,500)</u>	<u>(400,500)</u>	<u>(34,522)</u>	<u>365,978</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	646	646
Transfers in	100,000	100,000	100,000	-
Total other financing sources and (uses)	<u>100,000</u>	<u>100,000</u>	<u>100,646</u>	<u>646</u>
Net change in fund balance	(300,500)	(300,500)	66,124	366,624
Fund balance - beginning of year	<u>771,662</u>	<u>771,662</u>	<u>771,662</u>	<u>-</u>
Fund balance - end of year	<u>\$ 471,162</u>	<u>\$ 471,162</u>	<u>\$ 837,786</u>	<u>\$ 366,624</u>



Financial Statements

Proprietary Funds

Enterprise Fund

Water Fund

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

Sewer Fund

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



TOWN OF CHINO VALLEY, ARIZONA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2020

	Business-type Activities-Enterprise Funds		
	Water	Sewer	Total
ASSETS			
Current assets			
Cash	\$ 27,954	\$ 121,263	\$ 149,217
Receivables (net of allowance)	55,718	96,924	152,642
Total current assets	83,672	218,187	301,859
Noncurrent assets			
Restricted cash and investments	-	1,004,070	1,004,070
Hookups receivable	-	37,309	37,309
Land	3,211,136	-	3,211,136
Construction-in-progress	33,242	56,111	89,353
Water rights	668,553	-	668,553
Treatment facilities	6,433	9,791,955	9,798,388
Water distribution system	3,449,988	-	3,449,988
Sewer collection system	-	22,256,928	22,256,928
Machinery and equipment	352,350	546,447	898,797
Accumulated depreciation	(2,304,461)	(13,287,528)	(15,591,989)
Total noncurrent assets	5,417,241	20,405,292	25,822,533
Total assets	5,500,913	20,623,479	26,124,392
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions	26,434	17,105	43,539
LIABILITIES			
Current liabilities			
Accounts payable	14,065	277,273	291,338
Accrued liabilities	5,935	-	5,935
Interest payable	8,906	114,247	123,153
Customer deposits	30,051	96,410	126,461
Unearned revenue	-	2,592,200	2,592,200
Compensated absences	5,500	5,500	11,000
Loans payable - current portion	-	669,426	669,426
Bonds payable - current portion	55,000	-	55,000
Total current liabilities	119,457	3,755,056	3,874,513
Noncurrent liabilities			
Compensated absences	15,258	15,258	30,516
Developer agreement payable	420,733	-	420,733
Loans payable, net of current portion	-	8,795,679	8,795,679
Bonds payable, net of current portion	315,551	-	315,551
Net pension liability	250,728	233,871	484,599
Total noncurrent liabilities	1,002,270	9,044,808	10,047,078
Total liabilities	1,121,727	12,799,864	13,921,591
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	16,045	17,527	33,572
NET POSITION			
Net investment in capital assets	4,625,957	9,898,808	14,524,765
Restricted for debt service	-	1,004,070	1,004,070
Unrestricted	(236,382)	(3,079,685)	(3,316,067)
Total net position	\$ 4,389,575	\$ 7,823,193	\$ 12,212,768

See accompanying notes.



TOWN OF CHINO VALLEY, ARIZONA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2020

	Business-type Activities-Enterprise Funds		
	Water	Sewer	Total
Operating revenues			
Charges for services	\$ 543,102	\$ 1,638,671	\$ 2,181,773
Other revenues	35,708	-	35,708
Total operating revenue	<u>578,810</u>	<u>1,638,671</u>	<u>2,217,481</u>
Operating expenses			
Salaries	148,215	148,215	296,430
Employee benefits	65,818	65,625	131,443
Service, supplies and other	171,481	326,395	497,876
Repairs and maintenance	44,771	245,298	290,069
Utilities	69,662	111,493	181,155
Legal and professional	6,804	6,804	13,608
Contract service	11,805	17,956	29,761
Training and travel	392	849	1,241
Office expenses	926	-	926
Dues and subscriptions	1,318	6,000	7,318
Depreciation	191,990	1,145,838	1,337,828
Miscellaneous	30,358	-	30,358
Total operating expenses	<u>743,540</u>	<u>2,074,473</u>	<u>2,818,013</u>
Operating income (loss)	<u>(164,730)</u>	<u>(435,802)</u>	<u>(600,532)</u>
Non-operating Revenues (Expenses)			
Interest income	-	14,076	14,076
Interest expense and fiscal charges	(17,981)	(228,662)	(246,643)
Gain (loss) on sale of capital assets	-	(156,584)	(156,584)
Miscellaneous nonoperating revenues	-	45,819	45,819
Total nonoperating revenue (expense)	<u>(17,981)</u>	<u>(325,351)</u>	<u>(343,332)</u>
Income (loss) before contributions	(182,711)	(761,153)	(943,864)
Buy-in and connection fees	<u>357,725</u>	<u>376,975</u>	<u>734,700</u>
Change in net position	175,014	(384,178)	(209,164)
Net position, beginning of year	<u>4,214,561</u>	<u>8,207,371</u>	<u>12,421,932</u>
Net position-end of year	<u>\$ 4,389,575</u>	<u>\$ 7,823,193</u>	<u>\$ 12,212,768</u>

See accompanying notes.

TOWN OF CHINO VALLEY, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2020

	Business-type Activities-Enterprise Funds		
	Water	Sewer	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers, service fees	\$ 537,121	\$ 1,467,806	\$ 2,004,927
Cash received from customers, others	35,708	-	35,708
Cash paid to suppliers	(366,092)	(488,665)	(854,757)
Cash paid to employees	(212,401)	(211,326)	(423,727)
Cash flows provided (used) by operating activities	(5,664)	767,815	762,151
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Nonoperating receipts	-	45,819	45,819
Interfund borrowing	(89,241)	-	(89,241)
Cash flows provided (used) by noncapital and related financing activities	(89,241)	45,819	(43,422)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	(125,490)	(153,351)	(278,841)
Principal paid on long term debt	(90,295)	(691,082)	(781,377)
Interest paid on long-term debt	(19,081)	(236,823)	(255,904)
Receipts from buy-in and connection fees	357,725	397,964	755,689
Cash flows provided (used) by capital and related financing activities	122,859	(683,292)	(560,433)
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipts from investment earnings	-	14,076	14,076
NET CHANGE IN CASH AND CASH EQUIVALENTS	27,954	144,418	172,372
Cash and cash equivalents at beginning of year	-	980,915	980,915
Cash and cash equivalents at end of year	\$ 27,954	\$ 1,125,333	\$ 1,153,287

See accompanying notes.

	Business-type Activities-Enterprise Funds		
	Water	Sewer	Total
Reconciliation of operating loss to net cash provided (used) by operating activities:			
Net operating loss	\$ (164,730)	\$ (435,802)	\$ (600,532)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:			
Depreciation/amortization expense	191,990	1,145,838	1,337,828
Provision for bad debt	-	5,413	5,413
Changes in operating assets and liabilities (Increase)/decrease in:			
Accounts receivable	(9,129)	(7,922)	(17,051)
Deferred outflows of resources related to pensions	8,047	9,097	17,144
Increase/(decrease) in:			
Accounts payable	(29,480)	226,130	196,650
Accrued wages and benefits	(5,374)	(5,374)	(10,748)
Accrued liabilities	905	-	905
Customer deposits	3,148	22,163	25,311
Unearned revenue	-	(190,519)	(190,519)
Compensated absences	4,079	4,079	8,158
Net pension liability	8,111	8,376	16,487
Deferred inflows of resources related to pensions	(13,231)	(13,664)	(26,895)
Net cash provided (used) by operating activities:	<u>\$ (5,664)</u>	<u>\$ 767,815</u>	<u>\$ 762,151</u>
Noncash investing, capital, and financing activities:			
Loss on sale of assets	\$ -	\$ 156,584	\$ 156,584
Amortization of bond premium	100	-	100
Reconciliation of cash and cash equivalents to the statement of net position			
Cash and cash equivalents	\$ 27,954	\$ 121,263	\$ 149,217
Restricted cash and cash equivalents	-	1,004,070	1,004,070
Total cash and cash equivalents	<u>\$ 27,954</u>	<u>\$ 1,125,333</u>	<u>\$ 1,153,287</u>



Financial Statements

Notes to the Financial Statements



TOWN OF CHINO VALLEY, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The Town of Chino Valley, Arizona is a municipal government that is governed by an elected mayor, vice mayor, and five-member governing council (council). The accompanying financial statements present the Town and its component units, entities for which the Town is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the Town.

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

Individual Component Units – Blended

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

B. Basis of Presentation – Government-Wide Financial Statements

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

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

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

TOWN OF CHINO VALLEY, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Fund Financial Statements

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

The Town reports the following major governmental funds:

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

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

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

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

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

The Town reports the following major proprietary funds:

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

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
Year Ended June 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting

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

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Sales taxes, franchise taxes, intergovernmental grants and aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the Town.

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

E. Deposits and Investments

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

TOWN OF CHINO VALLEY, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Deposits and Investments (Continued)

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

F. Receivables and Payables

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

G. Inventories and Prepaid Items

Purchases of inventory items are recorded at the time of purchase (purchases method) as expenditures in the funds from which the purchases were made; and because the amounts on hand at June 30, 2020, were immaterial, they are not included in the balance sheet.

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

H. Restricted Assets

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

TOWN OF CHINO VALLEY, ARIZONA
 NOTES TO THE FINANCIAL STATEMENTS
 Year Ended June 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Capital Assets

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

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

J. Deferred Outflows/Inflows of Resources

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

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

K. Pensions

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

L. Net Position Flow Assumption

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

TOWN OF CHINO VALLEY, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Net Position Flow Assumption (Continued)

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

M. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Town itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Town's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the Town that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance.

Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the Town for specific purposes but do not meet the criteria to be classified as committed. The Town Manager is authorized to assign amounts to a specific purpose in accordance with the Town's budget policy. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

N. Program Revenues

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

TOWN OF CHINO VALLEY, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Compensated Absences

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

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

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

Q. Use of Estimates

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

TOWN OF CHINO VALLEY, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. Budgets and Budgetary Accounting

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

1. In accordance with Arizona Revised Statutes, the Town Manager submits a proposed budget for the fiscal year commencing the following July 1 to the Town Council. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
2. Public hearings are conducted to obtain taxpayer comment.
3. Prior to the third Monday in August, the expenditure limitation for the Town is legally enacted through passage of an ordinance. To ensure compliance with the expenditure limitation, a uniform expenditure report must be filed with the State each year. This report, issued under a separate cover, reconciles total Town expenditures from the audited financial statements to total expenditures for reporting in accordance with the State's uniform expenditure reporting system (A.R.S. §41-1279.07).
4. The Town follows a voter-approved alternative expenditure limitation that was extended on August 16, 2016.
5. Expenditures may not legally exceed the expenditure limitation of all fund types as a whole. For management purposes, the Town adopts a budget by department for the General Fund and in total by fund for other funds. The Town Manager, subject to Town Council approval, may at any time transfer any unencumbered appropriation balance or portion thereof between a department or activity. The adopted budget cannot be amended in any way without Town Council approval.
6. The Town has adopted budgets in accordance with A.R.S. requirements and utilizes the budgets as a management control device during the year for the General, Special Revenue, Debt Service and Capital Projects Funds. The budgets are prepared on essentially the same modified accrual basis of accounting used to record actual revenues and expenditures.

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

Budget Overage – At June 30, 2020, The General Fund reported actual expenditures in excess of what the Town adopted as its budget for the health and welfare and debt service in the amounts of \$3,349 and \$360,781, respectively.

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.

TOWN OF CHINO VALLEY, ARIZONA
 NOTES TO THE FINANCIAL STATEMENTS
 Year Ended June 30, 2020

NOTE 2 CASH AND INVESTMENTS

The following table summarizes the Town's cash and investments at June 30, 2020:

	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	\$ 12,575,043	\$ 149,217	\$ 12,724,260
Restricted cash and cash equivalents	-	1,004,070	1,004,070
Total	<u>\$ 12,575,043</u>	<u>\$ 1,004,070</u>	<u>\$ 13,728,330</u>

Deposits

Cash in bank - At June 30, 2020, the Town had \$3,350 of cash on hand. The carrying amount of the Town's cash in bank totaled \$4,602,891 and the bank balance was \$4,542,859. Of the bank balance, \$277,434 was covered by federal depository insurance, and \$4,265,425 was covered by collateral held in the pledging bank's trust department not in the Town's name.

Restricted cash and cash equivalents - At June 30, 2020, the Town had restricted cash and cash equivalents of \$1,004,072. Of this balance, \$1,004,070 was restricted in reserve funds with LGIP for the loans payable to the Water Infrastructure Finance Authority of Arizona (WIFA).

Investments

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

The dollar weighted average portfolio maturity is 34 days for Pool 5 and 34 days for Pool 7. The net asset value per share of the pool at June 30, 2020 was \$1.00. The Arizona State Treasurer issues a publicly available financial report that includes financial statements and required supplementary information. Copies may be obtained by contacting the Arizona State Treasurer, 1700 West Washington, Phoenix, Arizona 85007.

Funds held in the State Treasurer's Local Government Investment Pool represent a proportionate interest in the pool's portfolio; however, the Town's portion is not identified with specific investments and is not subject to custodial credit risk. At June 30, 2020, the Town's funds invested with the State Treasurer totaled \$9,122,066.

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

TOWN OF CHINO VALLEY, ARIZONA
 NOTES TO THE FINANCIAL STATEMENTS
 Year Ended June 30, 2020

NOTE 2 CASH AND INVESTMENTS (Continued)

Interest Rate Risk

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

<u>Investment Type</u>	<u>Remaining Maturity 12 Months or Less</u>
Primary Government LGIP	\$ 9,122,066
Total	<u>\$ 9,122,066</u>

Credit Risk

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

<u>Investment Type</u>	<u>Total</u>	<u>Ratings</u>		
		<u>AAAF/S1+</u>	<u>AAA</u>	<u>Unrated</u>
Primary Government LGIP	\$ 9,122,066	\$ 592,512	\$ -	\$ 8,529,554
Total	<u>\$ 9,122,066</u>	<u>\$ 592,512</u>	<u>\$ -</u>	<u>\$ 8,529,554</u>

TOWN OF CHINO VALLEY, ARIZONA
 NOTES TO THE FINANCIAL STATEMENTS
 Year Ended June 30, 2020

NOTE 3 RECEIVABLES

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

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

	Water Fund	Sewer Fund	Total Enterprise
Receivables:			
Service billings and hookups receivable	\$ 62,718	\$ 184,233	\$ 246,951
Less: Allowance for doubtful accounts	<u>(7,000)</u>	<u>(50,000)</u>	<u>(57,000)</u>
Net Receivables	<u>\$ 55,718</u>	<u>\$ 134,233</u>	<u>\$ 189,951</u>

Hookups receivable of \$37,309 reported in the proprietary funds are for amounts receivable from customers for hookup fees that are paid over a ten year period.

Revenues of the enterprise funds are reported net of uncollectible amounts. The Sewer Fund had recorded \$5,413 in bad debt expense for the current fiscal year.

TOWN OF CHINO VALLEY, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2020

NOTE 4 CAPITAL ASSETS

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

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 2,418,867	\$ -	\$ -	\$ 2,418,867
Construction in progress	181,483	152,737	(19,514)	314,706
Total capital assets not being depreciated	2,600,350	152,737	(19,514)	2,733,573
Capital assets, being depreciated:				
Buildings	10,969,531	295,087	(38,632)	11,225,986
Improvements other than buildings	1,494,091	-	-	1,494,091
Vehicles, furniture and equipment	4,687,308	341,420	(188,705)	4,840,023
Infrastructure	10,331,569	750,716	(17,580)	11,064,705
Total capital assets being depreciated	27,482,499	1,387,223	(244,917)	28,624,805
Less accumulated depreciation for:				
Buildings	(5,908,333)	(399,687)	34,870	(6,273,150)
Improvements other than buildings	(942,625)	(47,449)	-	(990,074)
Vehicles, furniture and equipment	(3,365,836)	(257,836)	158,951	(3,464,721)
Infrastructure	(2,511,437)	(430,816)	13,362	(2,928,891)
Total accumulated depreciation	(12,728,231)	(1,135,788)	207,183	(13,656,836)
Total capital assets, being depreciated, net	14,754,268	251,435	(37,734)	14,967,969
Governmental activities capital assets, net	\$ 17,354,618	\$ 404,172	\$ (57,248)	\$ 17,701,542

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

Governmental activities:	
General government	\$ 210,453
Public safety	90,564
Highway and streets	474,115
Culture and recreation	359,197
Health and Welfare	1,459
Total depreciation expense	\$ 1,135,788

TOWN OF CHINO VALLEY, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2020

NOTE 4 CAPITAL ASSETS (Continued)

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

Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 3,211,136	\$ -	\$ -	\$ 3,211,136
Construction in progress	-	89,353	-	89,353
Water rights	668,553	-	-	668,553
Total capital assets not being depreciated	3,879,689	89,353	-	3,969,042
Capital assets, being depreciated:				
Treatment facilities	9,798,388	-	-	9,798,388
Water distribution system	3,372,200	92,248	(14,460)	3,449,988
Sewer collection system	22,181,928	75,000	-	22,256,928
Machinery, equipment & vehicles	1,123,868	22,241	(247,312)	898,797
Total capital assets being depreciated	36,476,384	189,489	(261,772)	36,404,101
Less accumulated depreciation for:				
Treatment facilities	(2,761,588)	(207,751)	-	(2,969,339)
Water distribution system	(1,928,924)	(168,589)	14,460	(2,083,053)
Sewer collection system	(9,165,501)	(886,735)	-	(10,052,236)
Machinery, equipment & vehicles	(503,335)	(74,753)	90,727	(487,361)
Total accumulated depreciation	(14,359,348)	(1,337,828)	105,187	(15,591,989)
Total capital assets, being depreciated, net	22,117,036	(1,148,339)	(156,585)	20,812,112
Business-Type activities capital assets, net	\$ 25,996,725	\$ (1,058,986)	\$ (156,585)	\$ 24,781,154

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

Business-type activities	
Water	\$ 191,990
Sewer	1,145,838
Total depreciation expense	\$ 1,337,828

TOWN OF CHINO VALLEY, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2020

NOTE 5 LONG-TERM DEBT

The following is a summary of changes in long-term obligations for the year ended June 30, 2020:

	Balance 6/30/19	Additions	Retirements	Balance 6/30/20	Due Within One Year
Governmental Activities:					
Bonds payable					
Revenue bond series 2016	\$ 2,717,000	\$ -	\$ (320,000)	\$ 2,397,000	\$ 326,000
Revenue bond series 2010	7,130,000	-	(205,000)	6,925,000	280,000
Discount on bonds	(107,595)	-	8,608	(98,987)	-
Total bonds payable	9,739,405	-	(516,392)	9,223,013	606,000
Capital leases payable					
Equipment lease	501,399	-	(501,399)	-	-
Total leases payable	501,399	-	(501,399)	-	-
Compensated absences	495,297	572,960	(509,179)	559,078	250,000
Net pension liability	7,674,789	-	(229,614)	7,445,175	-
Total other long term debt	8,170,086	572,960	(738,793)	8,004,253	250,000
Total Governmental Activities	\$ 18,410,890	\$ 572,960	\$ (1,756,584)	\$ 17,227,266	\$ 856,000
Business-type Activities:					
Bonds payable					
Revenue bond series 2010	\$ 420,000	\$ -	\$ (50,000)	\$ 370,000	\$ 55,000
Premium on bonds	651	-	(100)	551	-
Total bonds payable	420,651	-	(50,100)	370,551	55,000
Loans payable					
WIFA					
Series 2007	765,617	-	(86,841)	678,776	89,236
Series 2008	2,727,958	-	(270,565)	2,457,393	278,179
Series 2014	2,461,363	-	(131,950)	2,329,413	134,602
Series 2015	20,458	-	(10,175)	10,283	145,503
Series 2016	3,871,390	-	(139,907)	3,731,483	10,282
Series 2017	269,106	-	(11,349)	257,757	11,624
Total loans payable	10,115,892	-	(650,787)	9,465,105	669,426
Capital leases payable					
Equipment lease	80,590	-	(80,590)	-	-
Total leases payable	80,590	-	(80,590)	-	-
Compensated absences	33,358	32,246	(24,088)	41,516	11,000
Developer agreement payable	420,733	-	-	420,733	-
Net pension liability	468,112	-	(34,417)	433,695	-
Total other long term debt	922,203	32,246	(58,505)	895,944	11,000
Total Business-type Activities	11,539,336	32,246	(839,982)	10,731,600	735,426
Total long-term liabilities	\$ 29,950,226	\$ 605,206	\$ (2,596,566)	\$ 27,958,866	\$ 1,591,426

TOWN OF CHINO VALLEY, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2020

NOTE 5 LONG-TERM DEBT (Continued)

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

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

Fiscal year ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2021	\$ 606,000	\$ 347,962	\$ 724,426	\$ 227,148
2022	641,000	330,299	733,239	207,529
2023	666,000	310,327	757,917	186,856
2024	686,000	289,015	783,195	165,417
2025	708,000	269,372	804,094	143,447
2026 - 2030	4,080,000	859,542	3,064,760	446,967
2031 - 2035	1,935,000	47,025	2,098,893	197,691
2036 - 2040	-	-	868,581	20,903
Total	<u>\$ 9,322,000</u>	<u>\$ 2,453,542</u>	<u>\$ 9,835,105</u>	<u>\$ 1,595,958</u>

The following is a listing of bonds payable outstanding as of June 30, 2020:

	Balance 6/30/20	Due Within One Year
Bonds payable:		
Governmental Activities:		
Excise Tax Revenue Bonds, Series 2016, due in annual principal and semi-annual interest installments ranging from \$309,000 to \$362,000 bearing interest at 2.758%, maturing July 2026.	\$ 2,397,000	\$ 326,000
MPC Revenue Bonds, Series 2010, due in annual principal and semi-annual interest installments ranging from \$150,000 to \$990,000 bearing interest at 4.00% to 4.75%, maturing August 2031.	6,925,000	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.	370,000	55,000
Total bonds payable	<u>\$ 9,692,000</u>	<u>\$ 661,000</u>

TOWN OF CHINO VALLEY, ARIZONA
 NOTES TO THE FINANCIAL STATEMENTS
 Year Ended June 30, 2020

NOTE 5 LONG-TERM DEBT (Continued)

The following is a listing of loans payable outstanding as of June 30, 2020:

Loans payable:	Balance 6/30/20	Due Within One Year
Business-type Activities:		
Water Infrastructure Finance Authority of Arizona (WIFA) loan, due in semi-annual variable principal and interest installments, bearing interest at 2.758%, maturing July 1, 2026.	\$ 678,776	\$ 89,236
Water Infrastructure Finance Authority of Arizona (WIFA) loan, due in semi-annual variable principal and interest installments, bearing interest at 2.814%, maturing July 1, 2027.	2,457,393	278,179
Water Infrastructure Finance Authority of Arizona (WIFA) loan, due in semi-annual variable principal and interest installments, bearing interest at 2.010%, maturing July 1, 2034.	2,329,413	134,602
Water Infrastructure Finance Authority of Arizona (WIFA) loan, due in semi-annual variable principal and interest installments, bearing interest at 1.048%, maturing July 1, 2020.	10,283	145,503
Water Infrastructure Finance Authority of Arizona (WIFA) loan, due in semi-annual variable principal and interest installments, bearing interest at 2.344%, maturing July 1, 2037.	3,731,483	10,282
Water Infrastructure Finance Authority of Arizona (WIFA) loan, due in semi-annual variable principal and interest installments, bearing interest at 3.200%, maturing July 1, 2037.	257,757	11,624
Total loans payable - business-type activities	\$ 9,465,105	\$ 669,426

Developer agreements payable outstanding as of June 30, 2020:

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

Capital leases - Previous lease commitments were paid off in their entirety in fiscal year 2020.

TOWN OF CHINO VALLEY, ARIZONA
 NOTES TO THE FINANCIAL STATEMENTS
 Year Ended June 30, 2020

NOTE 6 PLEDGED REVENUES

The Town has pledged a portion of the future excise taxes and state shared revenues to repay \$3.3 million in MPC Revenue Bonds issued in 2016 and to repay \$7.28 million in MPC Revenue Bonds issued in 2010. The 2016 MPC bonds were used to refinance the remaining portion of a 2007 GADA loan. The 2010 MPC bonds were used to refund the remaining portion of the MPC 2004 Revenue Bonds. The bonds are payable from excise taxes and state shared revenues of the Town. Annual principal and interest payments on the bonds are estimated to require 10% of excise tax and state shared revenues. Total principal and interest remaining on the 2016 bonds are \$2,554,666 payable through July 2026. The principal and interest remaining on the 2010 bonds are \$9,639,600 payable through August 2031. For the current year, interest of \$46,349 was paid on the 2016 bonds and the interest paid on the 2010 bonds was \$335,250. Total excise taxes and state shared revenues were \$11,746,218.

The Town has pledged a portion of future sewer system customer revenues, net of specified operating expenses, and future excise taxes and state shared revenues to repay \$9.7 million in WIFA loans issued in 2007, 2008, 2014, 2016 and 2017. Proceeds from the loans provided financing for development of the Town's sewer system. The loans are payable from sewer system customer net revenues and excise taxes and state shared revenues. The WIFA loans are payable through July 2026, 2027, 2034 and 2037. Annual principal and interest payments on the loans are estimated to require 7% of total net sewer system, excise taxes and state shared revenues. The total principal and interest remaining to be paid on the WIFA loans is \$11,257,193. For the current year, principal and interest paid was \$879,281, sewer system customer net revenues were \$1,638,671, and excise taxes and state shared revenues were \$11,746,218.

Restrictive Covenants

The 2010 and 2016 Series Revenue Bonds that are contained in the Long-term Debt Summary Table have continuing disclosure requirements that are to be uploaded to the Electronic Municipal Market Access (EMMA) by February 1st of each year. The Town was out of compliance with this requirement by uploading the continuing disclosures on September 30, 2020 for the February 1, 2020 deadline.

NOTE 7 INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2020 are as follows:

Fund	Transfers Out	Transfers In
General Fund	\$ 2,100,000	\$ 760,861
HURF	-	100,000
Debt Service	-	891,000
Capital Improvements	1,651,861	2,000,000
Total	\$ 3,751,861	\$ 3,751,861

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.

TOWN OF CHINO VALLEY, ARIZONA
 NOTES TO THE FINANCIAL STATEMENTS
 Year Ended June 30, 2020

NOTE 8 PENSIONS

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

At June 30, 2020, the Town reported the following aggregate amounts related to pensions for all plans to which it contributes:

Statement of Net Position and Statement of Activities	Governmental Activities	Business-type Activites	Total
Net pension liabilities	\$ 7,445,175	\$ 484,599	\$ 7,929,774
Deferred outflows of resources	1,896,801	43,539	1,940,340
Deferred inflows of resources	615,448	33,572	649,020
Pension expense	1,089,570	37,419	1,126,989

The Town reported \$1,127,423 of pension contributions as expenditures in the governmental funds related to all pension plans to which it contributes.

Net OPEB asset/liabilities have not been recorded, or further disclosed, at June 30, 2020 in accordance with GASB Statement 75, due to the relative insignificance to the Town's financial statements.

A. Arizona State Retirement System

Plan Description – Town employees not covered by the other pension plan described below participate in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan, and a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its website at www.azasrs.gov.

TOWN OF CHINO VALLEY, ARIZONA
 NOTES TO THE FINANCIAL STATEMENTS
 Year Ended June 30, 2020

NOTE 8 PENSIONS (Continued)

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

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

*with actuarially reduced benefits.

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

Contributions - In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2020, statute required active ASRS members to contribute at the actuarially determined rate of 12.11 percent (11.94 percent for retirement and 0.17 percent for long-term disability) of the members' annual covered payroll, and the Town was required by statute to contribute at the actuarially determined rate of 12.11 percent (11.45 percent for retirement, 0.49 percent for health insurance premium benefit, and 0.17 percent for long-term disability) of the active members' annual covered payroll. In addition, the Town was required by statute to contribute at the actuarially determined rate of 10.41 percent (10.29 percent for retirement, 0.05 percent for health insurance premium benefit, and 0.07 percent for long-term disability) of annual covered payroll of retired members who worked for the Town in positions that an employee who contributes to the ASRS would typically fill. The Town's contributions to the pension, health insurance premium benefit, and long-term disability plans for the year ended June 30, 2020 were \$414,370, \$17,733, and \$6,152, respectively.

During fiscal year 2020, the Town paid for ASRS pension contributions as follows: 92 percent from the General Fund, 4 percent from the water fund, and 4 percent from the sewer fund.

TOWN OF CHINO VALLEY, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2020

NOTE 8 PENSIONS (Continued)

Pension Liability - At June 30, 2020, the Town reported a liability of \$4,694,205 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2018, to the measurement date of June 30, 2019. The Town's proportion of the net pension liability was based on the Town's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2019. The Town's proportion measured as of June 30, 2019, was 0.03226 percent, which was an increase of 0.00002 percent from its proportion measured as of June 30, 2018.

Pension Expense and Deferred Outflows/Inflows of Resources - For the year ended June 30, 2020, the Town recognized pension expense for ASRS of \$450,678. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

ASRS	Pension	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 84,802	\$ 883
Changes of assumptions or other inputs	19,843	186,932
Net difference between projected and actual earnings on pension plan investments	-	105,510
Changes in proportion and differences between Town contributions and proportionate share of contributions	51,179	16,899
Town contributions subsequent to the measurement date	414,370	-
Total	<u>\$ 570,194</u>	<u>\$ 310,224</u>

The \$414,370 reported as deferred outflows of resources related to ASRS pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized as expense as follows:

Year ending June 30,	Pension
2021	\$ (38,083)
2022	(124,313)
2023	(20,262)
2024	28,258
2024	-
Thereafter	-

TOWN OF CHINO VALLEY, ARIZONA
 NOTES TO THE FINANCIAL STATEMENTS
 Year Ended June 30, 2020

NOTE 8 PENSIONS (Continued)

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

ASRS

Actuarial valuation date	June 30, 2018
Actuarial roll forward date	June 30, 2019
Actuarial cost method	Entry age normal
Investment rate of return	7.5%
Projected salary increases	2.7 - 7.2% for pensions/not applicable for OPEB
Inflation	2.3%
Permanent benefit increase	Included for pensions/not applicable for OPEB
Mortality rates	2017 SRA Scale U-MP for pensions and health insurance premium benefit
Recovery rates	2012 GLDT for long-term disability
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

The long-term expected rate of return on ASRS pension plan investments was determined to be 7.5 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term expected geometric real rate of return
Equity	50%	6.09%
Credit	20%	5.36%
Interest rate sensitive bonds	10%	1.62%
Real estate	20%	5.85%
Total	100%	

TOWN OF CHINO VALLEY, ARIZONA
 NOTES TO THE FINANCIAL STATEMENTS
 Year Ended June 30, 2020

NOTE 8 PENSIONS (Continued)

Discount Rate – The discount rate used to measure the ASRS total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board’s funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the plans’ fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of Town’s Proportionate Share of the ASRS Net Pension Liability to Changes in the Discount Rate - The following table presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the Town’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate:

ASRS	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% increase (8.5%)
Town's proportionate share of the Net pension liability	\$ 6,680,942	\$ 4,694,205	\$ 3,033,805

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

B. Public Safety Personnel Retirement System

Plan Description – Town police department employees who are regularly assigned hazardous duty participate in the Public Safety Personnel Retirement System (PSPRS) or employees who became members on or after July 1, 2017, may participate in the Public Safety Personnel Defined Contribution Retirement Plan (PSPDCRP). The PSPRS administers agent and cost-sharing multiple-employer defined benefit pension plans and an agent and cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plans. A 9-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. Employees who were PSPRS members before July 1, 2017, participate in the agent plans, and those who became PSPRS members on or after July 1, 2017, participate in the cost-sharing plans (PSPRS Tier 3 Risk Pool) which are not further disclosed because of their relative insignificance to the Town’s financial statements.

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

TOWN OF CHINO VALLEY, ARIZONA
 NOTES TO THE FINANCIAL STATEMENTS
 Year Ended June 30, 2020

NOTE 8 PENSIONS (Continued)

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

PSPRS Retirement and Disability	Initial membership date:	
	Before January 1, 2012	On or after January 1, 2012 and before July 1, 2017
Years of service and age required to receive benefit	20 years of service, any age 15 years of service, age 62	25 years or service of 15 years of credited service and age 52.5
Final average salary is based on	Highest 36 months of last 20 years	Highest 60 months of last 20 years
Benefit percent		
Normal Retirement	50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	1.5% to 2.5% per year of credited service, not to exceed 80%
Accidental Disability Retirement	50% or normal retirement, whichever is greater	
Catastrophic Disability Retirement	90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater	
Ordinary Disability Retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20	
Survivor Benefits		
Retired Members	80% to 100% of retired member's pension benefit	
Active Members	80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job.	

**With actuarially reduced benefits*

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

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. Benefits range from \$100 per month to \$260 per month depending on the age of the member and dependents.

TOWN OF CHINO VALLEY, ARIZONA
 NOTES TO THE FINANCIAL STATEMENTS
 Year Ended June 30, 2020

NOTE 8 PENSIONS (Continued)

Employees Covered by Benefit Terms - At June 30, 2020, the following employees were covered by the agent plans' benefit terms:

	<u>PSPRS Police</u>
Inactive employees or beneficiaries currently receiving benefits	11
Inactive employees entitled to by not yet receiving benefits	6
Active employees	<u>19</u>
Total	<u><u>36</u></u>

Contributions - State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contribution rates for the year ended June 30, 2020, are indicated below. Rates are a percentage of active members' annual covered payroll.

	<u>PSPRS Police</u>
Active members - Pension	7.65% - 11.65%
Pension	30.82%
Health insurance premium benefit	0.00%

In addition, the Town was required by statute to contribute at the actuarially determined rate of 10.01 percent for Police of annual covered payroll of retired members who worked for the Town in positions that would typically fill and employees participating in the PSPRS Tier 3 Risk Pool and PSPDCRP members in addition to the Town's required contributions to the PSPRS Tier 3 Risk Pool and PSPDCRP.

The Town's contributions to the plans for the year ended June 30, 2020, were:

	<u>PSPRS Police</u>
Pension	
Contributions made	\$ 746,618
Health Insurance Permium Benefit	
Annual OPEB cost contributions made	-

During fiscal year 2020, the Town paid 100 percent of the PSPRS pension contributions from the General Fund.

TOWN OF CHINO VALLEY, ARIZONA
 NOTES TO THE FINANCIAL STATEMENTS
 Year Ended June 30, 2020

NOTE 8 PENSIONS (Continued)

Pension Liability - At June 30, 2020, the Town reported a PSPRS net pension liabilities of \$3,235,572.

The net liability was measured as of June 30, 2019, and the total liability used to calculate the net liability was determined by an actuarial valuation as of that date. The total liabilities as of June 30, 2019, reflect changes of actuarial assumptions to decrease the investment rate of return from 7.4 percent to 7.3 percent and update the mortality rates.

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

PSPRS	
Actuarial valuation date	June 30, 2019
Actuarial cost method	Entry age normal
Investment rate of return	7.30%
Wage inflation	3.5% for pensions/not applicable for OPEB
Price inflation	2.5% for pensions/not applicable for OPEB
Permanent benefit increase	Included for pensions/not applicable for OPEB
Cost-of-living adjustment	1.75% for pensions/not applicable for OPEB
Mortality rates	PubS-2010 tables
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

TOWN OF CHINO VALLEY, ARIZONA
 NOTES TO THE FINANCIAL STATEMENTS
 Year Ended June 30, 2020

NOTE 8 PENSIONS (Continued)

The long-term expected rate of return on PSPRS pension plan investments was determined to be 7.3 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

PSPRS Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return
Short term investments	2%	0.25%
Risk parity	4%	4.01%
Fixed income	5%	3.00%
Real assets	9%	6.75%
GTS	12%	4.01%
Private credit	16%	5.36%
Real estate	10%	4.50%
Private equity	12%	8.40%
Non-U.S. equity	14%	5.00%
U.S. equity	16%	4.75%
Total	100.00%	

Discount Rates – At June 30, 2019, the discount rate used to measure the PSPRS total pension liability was 7.3 percent, which was a decrease of 0.1 from the discount rate used as of June 30, 2018. The projection of cash flows used to determine the PSPRS discount rates assumed that plan members contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF CHINO VALLEY, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2020

NOTE 8 PENSIONS (Continued)

Changes in the Net Pension Liability

PSPRS - Police	Pension Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2019	\$ 8,832,241	\$ 5,185,682	\$ 3,646,559
Adjustments to the beginning of the year	-	(1,772)	1,772
Changes for the year:			
Service Cost	284,666	-	284,666
Interest on the total liability	652,210	-	652,210
Changes of benefit terms	-	-	-
Differences between expected and actual experience in the measurement of the liability	(307,346)	-	(307,346)
Changes of assumptions or other inputs	159,605	-	159,605
Contributions - employer	-	801,902	(801,902)
Contributions - employee	-	122,179	(122,179)
Net investment income	-	283,743	(283,743)
Benefit payments, including refunds of employee contributions	(606,521)	(606,521)	-
Hall/Parker settlement	-	-	-
Administrative expense	-	(5,930)	5,930
Other changes	-	-	-
Net changes	182,614	593,601	(410,987)
Balances at June 30, 2020	\$ 9,014,855	\$ 5,779,283	\$ 3,235,572

TOWN OF CHINO VALLEY, ARIZONA
 NOTES TO THE FINANCIAL STATEMENTS
 Year Ended June 30, 2020

NOTE 8 PENSIONS (Continued)

Sensitivity of the Town's Net Pension Liability to Changes in the Discount Rate - The following table presents the Town's net pension liabilities calculated using the discount rate of 7.3 percent, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.3 percent) or 1 percentage point higher (8.3 percent) than the current rate:

PSPRS - Police	1% Decrease (6.30%)	Current Discount Rate (7.30%)	1% increase (8.30%)
Net pension liability	\$ 4,477,736	\$ 3,235,572	\$ 2,225,394

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

Pension Expense - For the year ended June 30, 2020, the Town recognized \$679,618 of PSPRS pension expense.

Pension Deferred Outflows/Inflows of Resources - At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PSPRS - Police	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 184,598	\$ 338,796
Changes of assumptions or other inputs	352,759	-
Net difference between projected and actual earnings on pension plan investments	92,647	-
Town contributions subsequent to the measurement date	746,618	-
Total	<u>\$ 1,376,622</u>	<u>\$ 338,796</u>

TOWN OF CHINO VALLEY, ARIZONA
 NOTES TO THE FINANCIAL STATEMENTS
 Year Ended June 30, 2020

NOTE 8 PENSIONS (Continued)

The amounts reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as expenses as follows:

Year ending June 30,	PSPRS Police
2021	\$ 147,894
2022	74,371
2023	85,652
2024	7,914
2025	(24,623)
Thereafter	-

NOTE 9 RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The Town's insurance protection is provided by the Arizona Municipal Risk Retention Pool, of which the Town is a participating member. The limit for basic coverage is for \$2,000,000 per occurrence on a claims made basis. Excess coverage is for an additional \$8,000,000 per occurrence on a follow form, claims made basis. No significant reduction in insurance coverage occurred during the year and no settlements exceeded insurance coverage during any of the past three fiscal years. The Arizona Municipal Risk Retention Pool is structured such that member's premiums are based on an actuarial review that will provide adequate reserves to allow the pool to meet its expected financial obligations. The pool has the authority to assess its member's additional premiums should reserves and annual premiums be insufficient to meet the pool's obligations.

The Town is also insured by commercial insurance for potential worker related accidents.

NOTE 10 CONTINGENT LIABILITIES AND COMMITMENTS

The Town is contingently liable with respect to lawsuits and other claims incidental to the ordinary course of its operations. In the opinion of Town management, based on the advice of the Town Attorney with respect to such litigation, such matters will not have a material adverse effect on the Town's financial position at June 30, 2020.

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.

TOWN OF CHINO VALLEY, ARIZONA
 NOTES TO THE FINANCIAL STATEMENTS
 Year Ended June 30, 2020

NOTE 10 CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

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

Project	Spent to Date	Remaining Commitment
Road 1 North Signal	\$ 75,000	\$ 100,000
Document Management System	89,562	150,000
Memory Park Bathrooms	62,914	175,000
Public Works Remodel	19,884	20,000
Rodeo Drive	37,912	200,000
Chino Valley Skate Park	29,434	75,000
WasteWater Treatment Plant New Building	69,837	350,000
Drying Bed	19,516	75,000
Total	\$ 404,059	\$ 1,145,000

NOTE 11 CONTINGENCIES

On January 30, 2020 the World Health Organization announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Town’s financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Town is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2020.

Financial Statements

Required Supplementary Information



TOWN OF CHINO VALLEY, ARIZONA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 Year Ended June 30, 2020

ASRS - Pension

	Reporting Fiscal Year (Measurement Date)						2014 through 2011
	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	
Town's proportion of the net pension liability	0.032261%	0.032241%	0.031290%	0.032955%	0.032084%	0.030244%	Information not available
Town's proportion share of the net pension liability	\$ 4,694,205	\$ 4,496,345	\$ 4,874,372	\$ 5,318,461	\$ 4,997,476	\$ 4,475,083	
Town's covered payroll	\$ 3,387,925	\$ 3,018,422	\$ 3,105,696	\$ 2,965,972	\$ 2,678,714	\$ 2,280,897	
Town's proportion share of the net pension liability as a percentage of covered payroll	138.56%	148.96%	156.95%	179.32%	186.56%	196.20%	
Plan fiduciary net position as a percentage of the total pension liability	73.24%	73.40%	69.92%	67.06%	68.35%	69.49%	

TOWN OF CHINO VALLEY, ARIZONA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGES IN THE TOWN'S NET PENSION AND RELATED RATIOS
 Year Ended June 30, 2020

	Reporting Fiscal Year (Measurement Date)						2014 through 2011
	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	
PSPRS Police - Pension Public Safety Personnel Retirement System							
Total pension liability							Information not available
Service cost	\$ 284,666	\$ 264,059	\$ 272,925	\$ 220,166	\$ 208,414	\$ 218,803	
Interest on the total pension liability	652,210	599,204	556,565	533,567	508,300	443,158	
Changes on benefit terms	-	-	116,070	361,211	-	63,139	
Differences between expected and actual experience in the measurement of the pension liability	(307,346)	216,311	107,301	(230,538)	(13,006)	15,592	
Changes of assumptions or other inputs	159,605	-	240,439	269,553	-	509,521	
Benefit payments, including refunds of employee contributions	(606,521)	(425,306)	(799,457)	(313,564)	(461,853)	(368,517)	
Net change in total pension liability	182,614	654,268	493,843	840,395	241,855	881,696	
Total pension liability - beginning	8,832,241	8,177,973	7,684,130	6,843,735	6,601,880	5,720,184	
Total pension liability - ending (a)	\$ 9,014,855	\$ 8,832,241	\$ 8,177,973	\$ 7,684,130	\$ 6,843,735	\$ 6,601,880	
Plan fiduciary net position							
Contributions - employer	\$ 801,902	\$ 788,908	\$ 279,960	\$ 269,502	\$ 243,794	\$ 208,691	
Contributions - employee	122,179	131,038	136,758	145,561	143,622	126,689	
Net investment income	283,743	313,163	497,699	24,661	149,207	498,013	
Benefit payments, including refunds of employee contributions	(606,521)	(425,306)	(799,457)	(313,564)	(461,853)	(368,517)	
Hall/Parker Settlement	-	(161,922)	-	-	-	-	
Administrative expense	(5,930)	(5,466)	(4,804)	(3,949)	(4,019)	-	
Other changes	-	149,623	(10,122)	(49,347)	3,414	(124,093)	
Net change in plan fiduciary net position	595,373	790,038	100,034	72,864	74,165	340,783	
Plan fiduciary net position - beginning	5,185,682	4,395,644	4,295,610	4,222,746	4,148,581	3,807,798	
Adjustment to the beginning of year	(1,772)	-	-	-	-	-	
Plan fiduciary net position - ending (b)	\$ 5,779,283	\$ 5,185,682	\$ 4,395,644	\$ 4,295,610	\$ 4,222,746	\$ 4,148,581	
Town's net pension liability - ending (a) - (b)	\$ 3,235,572	\$ 3,646,559	\$ 3,782,329	\$ 3,388,520	\$ 2,620,989	\$ 2,453,299	

TOWN OF CHINO VALLEY, ARIZONA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF TOWN'S PENSION CONTRIBUTIONS
 Year Ended June 30, 2020

Town of Chino Valley Police - Pension Public Safety Personnel Retirement System	Reporting Fiscal Year (Measurement Date)						2014 through 2010
	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	
Plan fiduciary net position as a percentage of the total pension liability	64.11%	58.71%	53.75%	55.90%	61.70%	62.84%	Information not available
Covered payroll	\$ 1,201,492	\$ 1,332,956	\$ 1,204,435	\$ 1,145,504	\$ 1,177,679	\$ 1,077,714	
Town's net pension liability as a percentage of covered payroll	269.30%	273.57%	314.03%	295.81%	222.56%	227.64%	

TOWN OF CHINO VALLEY, ARIZONA
 REQUIRED SUPPLEMENTARY INFORMATION
 NOTES TO THE PENSION SCHEDULES
 Year Ended June 30, 2020

NOTE 1 ACTUARIALLY DETERMINED CONTRIBUTION RATES

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

Actuarial cost method	Entry age normal
Amortization method	Level percent-of-pay, closed
Remaining amortization period as of the 2018 actuarial valuation	19 years for underfunded 20 years for overfunded
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions: Investment rate of return	PSPRS members with initial membership date before July 1, 2017: In the 2017 actuarial valuation, the investment rate of return was decreased from 7.5% to 7.4%. In the 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.5%. In the 2013 actuarial valuation, the investment rate of return was decreased from 8% to 7.85%.
Projected salary increases	In the 2017 actuarial valuation, projected salary increase were decreased from 4.0%-8.0% to 3.5%-7.5% for PSPRS. In the 2014 actuarial valuation, projected salary increases were decreased from 4.5%-8.5% to 4.0%-8.0% for PSPRS. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%-9.0% to 4.5%-8.5% for PSPRS.
Wage growth	In the 2017 actuarial valuation, wage growth was decreased from 4% to 3.5% for PSPRS. In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0% for PSPRS. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5% for PSPRS.
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006-June 30, 2011.
Mortality	In the 2017 actuarial valuation, changed to RP-2014 tables, with 75% of MP-2016 fully generational projection scales. RP-2000 mortality table (adjusted by 105% for both males and females)

TOWN OF CHINO VALLEY, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO THE PENSION SCHEDULES
Year Ended June 30, 2020

NOTE 2 FACTORS THAT AFFECT TRENDS

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

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

Financial Statements

Other Supplementary Information

Non-Major Government Funds Financial Statements

Special Revenue Funds

- **CDBG Fund** - This fund accounts for activities related to the Town's Community Development Block Grant.
- **Street Lighting Improvement District Fund** - This fund accounts for property taxes charged in an amount sufficient to cover expenditures associated with three street lighting districts within the Town.

Capital Project Fund

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



TOWN OF CHINO VALLEY, ARIZONA
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 June 30, 2020

	Special Revenue		Capital Projects	Total
	CDBG	Street Lighting Improvement District	Impact Fees	
ASSETS				
Cash and cash equivalents	\$ -	\$ 227	\$ -	\$ 227
Total assets	\$ -	\$ 227	\$ -	\$ 227
FUND BALANCES				
Restricted				
Highways and streets	-	227	-	227
Unassigned	-	-	-	-
Total fund balances	-	227	-	227
Total liabilities and fund balances	\$ -	\$ 227	\$ -	\$ 227

TOWN OF CHINO VALLEY, ARIZONA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 June 30, 2020

	Special Revenue		Capital Projects	Total
	CDBG	Street Lighting Improvement District	Impact Fees	
REVENUES				
Taxes	\$ -	\$ 5,297	\$ -	\$ 5,297
Intergovernmental	318,601	-	-	318,601
Interest	-	-	3,116	3,116
Total revenues	318,601	5,297	3,116	327,014
EXPENDITURES				
Current:				
Public works/streets	-	3,773	3,116	6,889
Capital outlay	318,601	-	25	318,626
Total expenditures	318,601	3,773	3,141	325,515
Net change in fund balances	-	1,524	(25)	1,499
Fund balances - beginning of year	-	(1,297)	25	(1,272)
Fund balances - end of year	\$ -	\$ 227	\$ -	\$ 227

Financial Statements

Other Supplementary Information

Budgetary Comparison Schedules

Major Governmental Fund Financial Statements



TOWN OF CHINO VALLEY, ARIZONA
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Interest	\$ -	\$ -	\$ -	\$ -
EXPENDITURES				
Debt service:				
Principal retirement	570,000	570,000	525,000	45,000
Interest and fiscal charges	366,300	366,300	366,219	81
Total expenditures	936,300	936,300	891,219	45,081
Excess (deficiency) of revenues over (under) expenditures	(936,300)	(936,300)	(891,219)	45,081
OTHER FINANCING SOURCES (USES)				
Transfers in	891,000	891,000	891,000	-
Net change in fund balance	(45,300)	(45,300)	(219)	45,081
Fund balance - beginning of year	457,683	457,683	457,683	-
Fund balance - end of year	\$ 412,383	\$ 412,383	\$ 457,464	\$ 45,081

TOWN OF CHINO VALLEY, ARIZONA
 CAPITAL IMPROVEMENTS
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
 BUDGET AND ACTUAL
 June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget- Positive (Negative)
REVENUES				
Town sales tax	\$ 1,644,000	\$ 1,644,000	\$ 1,990,589	\$ 346,589
Intergovernmental revenues	2,120,000	2,120,000	75,018	(2,044,982)
Interest	-	-	41	41
Total revenues	<u>3,764,000</u>	<u>3,764,000</u>	<u>2,065,648</u>	<u>(1,698,352)</u>
EXPENDITURES				
Capital outlay	4,859,000	4,859,000	486,059	4,372,941
Excess of revenues over (under) expenditures	<u>(1,095,000)</u>	<u>(1,095,000)</u>	<u>1,579,589</u>	<u>2,674,589</u>
OTHER FINANCING SOURCES (USES)				
Debt proceeds	9,000,000	9,000,000	-	(9,000,000)
Transfers in	2,000,000	2,000,000	2,000,000	-
Transfers out	<u>(1,291,000)</u>	<u>(1,291,000)</u>	<u>(1,651,861)</u>	<u>(360,861)</u>
Total other financing sources (uses):	<u>9,709,000</u>	<u>9,709,000</u>	<u>348,139</u>	<u>(9,360,861)</u>
Net change in fund balance	8,614,000	8,614,000	1,927,728	(6,686,272)
Fund balance - beginning of year	<u>1,048,679</u>	<u>1,048,679</u>	<u>1,048,679</u>	<u>-</u>
Fund balance - end of year	<u>\$ 9,662,679</u>	<u>\$ 9,662,679</u>	<u>\$ 2,976,407</u>	<u>\$ (6,686,272)</u>

Financial Statements

Other Supplementary Information

Budgetary Comparison Schedules
Non-Major Governmental Fund Financial Statements

Special Revenue Funds

- **CDBG Fund** - This fund accounts for activities related to the Town's Community Development Block Grant.
- **Street Lighting Improvement District Fund** - This fund accounts for property taxes charged in an amount sufficient to cover expenditures associated with three street lighting districts within the Town.

Capital Project Fund

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



TOWN OF CHINO VALLEY, ARIZONA
 CDBG
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
 BUDGET AND ACTUAL
 June 30, 2020

	Budgeted Amounts			Variance with
	Original	Final	Actual Amounts	Final Budget- Positive (Negative)
REVENUES				
Intergovernmental revenues	\$ 325,000	\$ 325,000	\$ 318,601	\$ (6,399)
EXPENDITURES				
Capital outlay	325,000	325,000	318,601	6,399
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	\$ -	\$ -	\$ -	\$ -

TOWN OF CHINO VALLEY, ARIZONA
STREET LIGHT IMPROVEMENT DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget- Positive (Negative)
REVENUES				
Taxes	\$ 4,000	\$ 4,000	\$ 5,297	\$ 1,297
EXPENDITURES				
Current:				
Public works/streets	4,000	4,000	3,773	227
Excess (deficiency) of revenues over (under) expenditures	-	-	1,524	1,524
Fund balance - beginning of year	(1,297)	(1,297)	(1,297)	-
Fund balance - end of year	\$ (1,297)	\$ (1,297)	\$ 227	\$ 1,524

TOWN OF CHINO VALLEY, ARIZONA
IMPACT FEES CAPITAL PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Interest	\$ -	\$ -	\$ 3,116	\$ 3,116
EXPENDITURES				
Current:				
Public works/streets	-	-	3,116	(3,116)
Capital outlay	-	-	25	(25)
Total expenditures	-	-	3,141	(3,141)
Excess (deficiency) of revenues over (under) expenditures	-	-	(25)	(25)
Net change in fund balance	-	-	(25)	(25)
Fund balance - beginning of year	25	25	25	-
Fund balance - end of year	\$ 25	\$ 25	\$ -	\$ (25)



Statistical Section

<u>Contents</u>	<u>Pages</u>
<u>Financial Trends</u> These schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.	98-107
<u>Revenue Capacity</u> These schedules contain information to help the reader assess the Town's most significant local revenue sources, property tax and sales and uses taxes.	109-117
<u>Debt Capacity</u> These schedules present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future.	118-125
<u>Demographic and Economic Statistics</u> These schedules offer economic and demographic indicators to help the reader understand the environment within which the Town's financial activities take place.	127-131
<u>Operating Information</u> These schedules contain service and infrastructure data to help the reader understand how the information in the Town's financial report relates to the services the Town provides and the activities it performs.	132-134

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

Town of Chino Valley, Arizona
Table 1
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	2011	2012	2013	2014
Governmental Activities				
Net Investment in Capital Assets:	\$ 1,335,678	\$ 1,484,070	\$ 2,509,616	\$ 3,960,511
Restricted	4,732,926	4,280,241	3,556,297	3,331,847
Unrestricted	2,375,715	2,430,076	3,485,697	3,189,272
Total Governmental Activities Net Position	<u>\$ 8,444,319</u>	<u>\$ 8,194,387</u>	<u>\$ 9,551,610</u>	<u>\$ 10,481,630</u>
Business-type activities				
Net Investment in Capital Assets:	\$ 17,662,445	\$ 17,042,946	\$ 16,360,590	\$ 15,658,866
Restricted	459,182	458,987	524,391	637,600
Unrestricted	(3,193,523)	(3,399,728)	(3,906,099)	(4,386,202)
Total Business-Type Activities Net Position	<u>\$ 14,928,104</u>	<u>\$ 14,102,205</u>	<u>\$ 12,978,882</u>	<u>\$ 11,910,264</u>
Primary government				
Net Investment in Capital Assets:	\$ 18,998,123	\$ 18,527,016	\$ 18,870,206	\$ 19,619,377
Restricted	5,192,108	4,739,228	4,080,688	3,969,447
Unrestricted	(817,808)	(969,652)	(420,402)	(1,196,930)
	<u>\$ 23,372,423</u>	<u>\$ 22,296,592</u>	<u>\$ 22,530,492</u>	<u>\$ 22,391,894</u>

	2015	2016	2017	2018	2019	2020
\$	4,343,890	\$ 5,424,332	\$ 6,027,754	\$ 6,693,892	\$ 7,499,509	8,791,146
	1,821,510	1,327,962	1,769,920	2,355,810	1,445,551	1,500,148
	(900,628)	(394,472)	(154,836)	666,822	2,542,035	4,478,169
\$	<u>5,264,772</u>	<u>6,357,822</u>	<u>7,642,838</u>	<u>9,716,524</u>	<u>11,487,095</u>	<u>14,769,463</u>
\$	16,458,815	\$ 16,077,901	\$ 16,106,276	\$ 15,502,227	\$ 14,958,858	14,524,764
	750,922	482,116	588,280	730,932	870,202	1,004,070
	(4,991,149)	(4,665,739)	(4,782,941)	(3,812,291)	(3,407,128)	(3,316,066)
\$	<u>12,218,588</u>	<u>11,894,278</u>	<u>11,911,615</u>	<u>12,420,868</u>	<u>12,421,932</u>	<u>12,212,768</u>
\$	20,802,705	\$ 21,502,233	\$ 22,134,030	\$ 22,196,119	\$ 22,458,367	\$ 23,315,910
	2,572,432	1,810,078	2,358,200	3,086,742	2,315,753	2,504,218
	(5,891,777)	(5,060,211)	(4,937,777)	(3,145,469)	(865,093)	1,162,103
\$	<u>17,483,360</u>	<u>18,252,100</u>	<u>19,554,453</u>	<u>22,137,392</u>	<u>23,909,027</u>	<u>26,982,231</u>

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

	2011	2012	2013	2014
Expenses				
Governmental activities:				
General Government	\$ 3,115,747	\$ 2,867,718	\$ 3,015,601	\$ 3,414,324
Public Safety	2,750,768	2,467,357	2,472,409	2,414,104
Streets	1,531,504	707,108	721,841	1,301,632
Culture and Recreation	1,390,896	1,226,036	1,198,383	1,200,623
Health and Welfare	247,530	232,990	239,226	256,884
Interest on Long-Term Debt	1,266,752	514,714	508,898	569,141
Total Governmental Activities Expenses	<u>10,303,197</u>	<u>8,015,923</u>	<u>8,156,358</u>	<u>9,156,708</u>
Business-Type Activities:				
Water	667,534	655,975	733,396	809,977
Sewer	2,192,778	2,187,974	2,221,272	2,459,646
Total Business-Type Activities Expenses	<u>2,860,312</u>	<u>2,843,949</u>	<u>2,954,668</u>	<u>3,269,623</u>
Total Primary Government Expenses	<u>\$ 13,163,509</u>	<u>\$ 10,859,872</u>	<u>\$ 11,111,026</u>	<u>\$ 12,426,331</u>
Program Revenues				
Governmental Activities:				
Charges for Services:				
General Government	\$ 243,740	\$ 356,527	\$ 546,893	\$ 270,586
Public Safety	178,644	162,082	169,389	159,271
Streets	1,719	1,504	10,985	8,200
Culture and Recreation	80,687	86,244	88,189	87,724
Health and Welfare	12,078	11,188	9,281	5,647
Operating Grants and Contributions	1,345,516	1,199,771	1,006,900	1,144,777
Capital Grants and Contributions	606,874	206,591	1,003,311	593,475
Total Governmental Activities Program Revenues	<u>2,469,258</u>	<u>2,023,907</u>	<u>2,834,948</u>	<u>2,269,680</u>
Business-Type Activities:				
Charges for Services:				
Water	406,119	416,219	439,577	380,619
Sewer	1,103,636	1,088,471	1,069,377	1,218,343
Operating Grants and Contributions	-	177,612	-	-
Capital Grants and Contributions	135,718	58,538	114,730	367,470
Total Business-Type Activities Program Revenues	<u>1,645,473</u>	<u>1,740,840</u>	<u>1,623,684</u>	<u>1,966,432</u>
Total Primary Government Program Revenues	<u>\$ 4,114,731</u>	<u>\$ 3,764,747</u>	<u>\$ 4,458,632</u>	<u>\$ 4,236,112</u>

2015	2016	2017	2018	2019	2020
\$ 3,457,971	\$ 4,264,993	\$ 4,284,837	\$ 3,949,112	\$ 4,370,977	\$ 5,321,346
3,015,691	2,978,132	3,628,745	3,407,618	3,322,096	3,791,771
1,440,937	1,186,710	966,821	1,284,759	1,466,468	1,044,909
1,235,085	1,363,577	1,439,661	1,506,765	1,598,490	1,435,113
251,416	316,355	330,967	326,057	279,894	377,054
717,706	239,804	480,172	487,096	470,923	450,435
<u>10,118,806</u>	<u>10,349,571</u>	<u>11,131,203</u>	<u>10,961,407</u>	<u>11,508,848</u>	<u>12,420,628</u>
770,833	673,242	666,234	669,992	716,320	761,521
2,461,103	2,294,822	2,156,401	2,223,493	2,148,553	2,459,719
<u>3,231,936</u>	<u>2,968,064</u>	<u>2,822,635</u>	<u>2,893,485</u>	<u>2,864,873</u>	<u>3,221,240</u>
<u>\$ 13,350,742</u>	<u>\$ 13,317,635</u>	<u>\$ 13,953,838</u>	<u>\$ 13,854,892</u>	<u>\$ 14,373,721</u>	<u>\$ 15,641,868</u>
\$ 285,887	\$ 403,032	\$ 613,638	\$ 871,586	\$ 614,219	\$ 633,918
191,141	224,484	251,450	229,547	198,274	170,788
15,654	1,589	5,998	3,373	3,442	13,013
84,730	69,494	87,509	89,211	88,680	52,088
6,267	17,607	12,066	6,619	5,608	1,440
1,292,377	1,341,035	2,501,622	1,377,047	1,347,115	2,539,184
805,730	685,895	176,255	735,945	306,403	431,795
<u>2,681,786</u>	<u>2,743,136</u>	<u>3,648,538</u>	<u>3,313,328</u>	<u>2,563,741</u>	<u>3,842,226</u>
422,006	526,195	508,363	594,252	533,651	578,810
1,417,253	1,425,450	1,406,137	1,479,072	1,573,711	1,638,671
-	-	-	-	-	-
192,425	157,938	570,089	1,209,443	675,262	734,700
<u>2,031,684</u>	<u>2,109,583</u>	<u>2,484,589</u>	<u>3,282,767</u>	<u>2,782,624</u>	<u>2,952,181</u>
<u>\$ 4,713,470</u>	<u>\$ 4,852,719</u>	<u>\$ 6,133,127</u>	<u>\$ 6,596,095</u>	<u>\$ 5,346,365</u>	<u>\$ 6,794,407</u>

(Continued)

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

	2011	2012	2013	2014
Net (expense)/revenue				
Governmental Activities	\$ (7,833,939)	\$ (5,992,016)	\$ (5,321,410)	\$ (6,887,028)
Business-Type Activities	(1,214,839)	(1,103,109)	(1,330,984)	(1,303,191)
Total Primary Government Net Expense	\$ (9,048,778)	\$ (7,095,125)	\$ (6,652,394)	\$ (8,190,219)
General Revenues and Other Changes in Net Position				
Governmental Activities:				
City Sales Tax	\$ 3,379,524	\$ 3,507,894	\$ 3,882,227	\$ 5,147,065
State Sales taxes	932,899	845,244	885,391	941,542
Auto Lieu Tax	656,953	555,907	564,341	596,994
State Income Tax-Revenue Sharing	1,199,626	912,963	1,104,933	1,205,692
Property tax	3,770	4,042	3,809	3,682
Franchise tax	142,101	138,431	133,055	135,183
Impact Fees	-	-	-	-
Other	-	-	-	-
Unrestricted Investment Earnings	72,706	11,824	14,498	2,775
Gain on Sale of Assets	-	9,795	-	4,115
Transfers	(261,670)	(244,016)	(362,988)	(220,000)
Total Governmental Activities	6,125,909	5,742,084	6,225,266	7,817,048
Business-Type Activities:				
Unrestricted Investment Earnings	37,350	33,194	27,827	14,573
Grants and Contributions not restricted				
Gain on Sale of Assets	-	-	-	-
Special items	-	-	-	-
Transfers	261,670	244,016	362,988	220,000
Total Business-Type Activities	299,020	277,210	390,815	234,573
Total Primary Government	\$ 6,424,929	\$ 6,019,294	\$ 6,616,081	\$ 8,051,621
Change in Net Position				
Governmental Activities	\$ (1,708,030)	\$ (249,932)	\$ 903,856	\$ 930,020
Business-Type Activities	(915,819)	(825,899)	(940,169)	(1,068,618)
Total Primary Government	\$ (2,623,849)	\$ (1,075,831)	\$ (36,313)	\$ (138,598)

2015	2016	2017	2018	2019	2020
\$ (7,437,020)	\$ (7,606,435)	\$ (7,482,665)	\$ (7,648,079)	\$ (8,945,107)	\$ (8,578,402)
(1,200,252)	(858,481)	(338,046)	389,282	(82,249)	(269,059)
<u>\$ (8,637,272)</u>	<u>\$ (8,464,916)</u>	<u>\$ (7,820,711)</u>	<u>\$ (7,258,797)</u>	<u>\$ (9,027,356)</u>	<u>\$ (8,847,461)</u>
\$ 5,078,635	\$ 5,455,413	\$ 5,603,710	\$ 6,312,095	\$ 7,009,864	\$ 7,962,355
1,309,465	1,022,547	1,020,252	1,084,425	1,179,854	136,263
629,553	680,388	712,352	766,485	826,894	5,297
988,552	1,302,365	1,362,532	1,393,419	1,417,474	852,404
4,028	3,994	3,996	3,999	2,575	1,243,034
125,124	136,036	117,715	124,327	127,155	1,552,162
-	-	-	-	-	-
377	-	-	-	-	-
6,590	8,486	22,124	62,015	151,862	109,255
(19,073)	-	-	-	-	-
(280,700)	(150,000)	(75,000)	(25,000)	-	-
<u>7,842,551</u>	<u>8,459,229</u>	<u>8,767,681</u>	<u>9,721,765</u>	<u>10,715,678</u>	<u>11,860,770</u>
676	1,671	2,724	8,504	19,270	14,076
620	-	-	-	64,043	45,819
1,660,154	382,500	277,659	86,467	-	-
280,700	150,000	75,000	25,000	-	-
<u>1,942,150</u>	<u>534,171</u>	<u>355,383</u>	<u>119,971</u>	<u>83,313</u>	<u>59,895</u>
<u>\$ 9,784,701</u>	<u>\$ 8,993,400</u>	<u>\$ 9,123,064</u>	<u>\$ 9,841,736</u>	<u>\$ 10,798,991</u>	<u>\$ 11,920,665</u>
\$ 405,531	\$ 852,794	\$ 1,285,016	\$ 2,073,686	\$ 1,770,571	\$ 3,282,368
741,898	(324,310)	17,337	509,253	1,064	(209,164)
<u>\$ 1,147,429</u>	<u>\$ 528,484</u>	<u>\$ 1,302,353</u>	<u>\$ 2,582,939</u>	<u>\$ 1,771,635</u>	<u>\$ 3,073,204</u>

(Concluded)

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

	2011	2012	2013	2014
General Fund				
Nonspendable	\$ 7,732	\$ 2,208	\$ 7,039	\$ 5,078
Restricted	-	109,383	212,680	217,775
Assigned	-	-	-	-
Unassigned	2,715,237	2,716,403	3,092,751	3,830,737
Total General Fund	\$ 2,722,969	\$ 2,827,994	\$ 3,312,470	\$ 4,053,590
All other Governmental Funds				
Restricted:				
Highways and Streets	\$ 638,866	\$ 747,681	\$ 923,837	\$ 680,219
Development Impact Fees	3,075,999	2,895,908	2,138,187	1,475,498
Debt Service	374,013	499,053	285,557	292,213
Public Safety	-	70,327	136,504	51,085
Grants	118,198	-	-	-
Other Purposes	-	-	-	2,464
Assigned for:				
Capital Improvements	518,462	304,452	129,103	488,624
Unassigned:	(344)	-	-	-
Total all other Governmental Funds	\$ 4,725,194	\$ 4,517,421	\$ 3,613,188	\$ 2,990,103

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

2015	2016	2017	2018	2019	2020
\$ 4,060	\$ 43,818	\$ 1,302,226	\$ 327,562	\$ 129,873	\$ 19,525
301,854	322,353	114,330	140,339	149,717	131,298
-	-	192,946	250,027	329,870	389,082
4,349,040	5,064,810	4,575,991	6,591,840	7,731,346	7,816,055
<u>\$ 4,654,954</u>	<u>\$ 5,430,981</u>	<u>\$ 6,185,493</u>	<u>\$ 7,309,768</u>	<u>\$ 8,340,806</u>	<u>\$ 8,355,960</u>
\$ 463,774	\$ 456,204	\$ 760,071	\$ 953,266	\$ 771,662	838,013
606,592	566,191	523,122	510,575	25	-
614,924	128,707	457,027	455,795	457,683	457,464
24,507	46,099	59,428	45,698	55,606	57,744
-	-	-	-	-	-
7,673	40,385	32,354	11,601	10,858	15,629
589,530	683,648	919,592	1,121,632	1,048,679	2,976,407
293	109	(631,902)	-	(761)	-
<u>\$ 2,307,293</u>	<u>\$ 1,921,343</u>	<u>\$ 2,119,692</u>	<u>\$ 3,098,567</u>	<u>\$ 2,343,752</u>	<u>\$ 4,345,257</u>

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

	2011	2012	2013	2014
Revenues				
Taxes	\$ 3,525,394	\$ 3,650,366	\$ 4,019,091	\$ 5,285,931
Licenses and Permits	177,433	281,820	178,614	250,285
Intergovernmental	4,664,352	3,541,795	4,443,541	4,252,919
Charges for Services	123,242	150,323	438,798	93,961
Fines and Forfeitures	211,102	183,666	192,564	176,986
Impact Fees	-	11,132	29,764	194,873
Interest	72,706	11,824	14,498	2,775
Other Revenues	54,608	169,286	106,335	44,879
Total Revenues	\$ 8,828,837	\$ 8,000,212	\$ 9,423,205	\$ 10,302,609
Expenditures				
Current:				
General Government	\$ 3,229,263	\$ 2,774,513	\$ 2,831,438	\$ 3,309,301
Public Safety	2,621,419	2,459,829	2,402,089	2,565,994
Public Works	1,350,212	559,413	587,631	1,037,923
Culuture and Recreation	1,020,998	959,040	827,282	824,111
Health and Welfare	213,973	211,961	227,476	249,419
Capital Outlay	1,223,077	306,271	1,981,052	1,408,246
Debt service				
Principal	7,280,000	153,979	37,028	65,000
Interest	257,403	464,651	586,858	509,000
Debt issuance cost	-	-	-	-
Total Expenditures	17,196,345	7,889,657	9,480,854	9,968,994
Revenues over (under) Expenditures	(8,367,508)	110,555	(57,649)	333,615
Other Finance Sources (Uses)				
Capital lease agreement	-	-	-	-
Sale of Assets	11,293	30,713	879	4,420
Bond Proceeds	7,280,000	-	-	-
Payment to refunded debt escrow agent				
Transfers in	1,666,199	1,321,598	1,023,203	1,394,732
Transfers out	(1,927,869)	(1,565,614)	(1,386,191)	(1,614,732)
Total other Finance Sources (uses)	7,029,623	(213,303)	(362,109)	(215,580)
Net Change in Fund Balances	\$ (1,337,885)	\$ (102,748)	\$ (419,758)	\$ 118,035
Debt Service as a Percentage of Noncapital Expenditures	46.93%	8.47%	8.38%	6.84%

	2015	2016	2017	2018	2019	2020
\$	5,207,787	\$ 5,595,443	\$ 5,725,421	\$ 6,440,421	\$ 7,139,594	\$ 8,103,915
	276,828	352,447	561,146	709,765	451,287	483,739
	4,676,970	4,906,700	5,185,879	5,868,265	4,941,428	6,548,620
	94,270	122,960	115,633	124,458	135,913	87,794
	208,163	247,977	296,591	275,315	234,992	205,212
	2,712	-	-	-	20	-
	6,590	8,486	22,124	62,015	151,862	109,255
	38,413	54,354	37,343	88,291	176,377	174,125
\$	10,511,733	\$ 11,288,367	\$ 11,944,137	\$ 13,568,530	\$ 13,231,473	\$ 15,712,660
\$	3,339,953	\$ 3,913,936	\$ 3,900,208	\$ 3,937,694	\$ 4,466,270	4,795,109
	2,814,077	2,727,591	2,935,355	3,322,163	3,441,879	3,529,005
	1,182,221	731,692	524,963	756,057	958,368	1,148,879
	871,535	964,652	988,361	1,055,044	1,115,363	1,067,558
	378,921	402,424	316,045	361,111	309,899	343,411
	1,931,282	1,069,811	1,727,192	1,916,593	1,550,908	1,383,628
	75,000	3,960,916	127,603	534,791	734,593	1,064,517
	341,721	504,370	398,680	403,861	389,222	368,749
	-	65,714	-	2,000	-	-
	10,934,710	14,341,106	10,918,407	12,289,314	12,966,502	13,700,856
	(422,977)	(3,052,739)	1,025,730	1,279,216	264,971	2,011,804
	607,448	-	-	711,464	-	-
	14,783	6,560	2,131	137,470	11,252	4,855
	-	3,346,000	-	-	-	-
	1,684,779	1,095,167	1,252,000	1,173,000	2,085,706	3,751,861
	(1,965,479)	(1,245,167)	(1,327,000)	(1,198,000)	(2,085,706)	(3,751,861)
	341,531	3,202,560	(72,869)	823,934	11,252	4,855
\$	(81,446)	\$ 149,821	\$ 952,861	\$ 2,103,150	\$ 276,223	\$ 2,016,659
	4.46%	34.99%	5.67%	8.92%	9.81%	10.46%



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

Fiscal Year	Limited Property Value -Primary		Full Cash Value-Secondary		Ratio of Net Assessed to Total Values
	Net Assessed Value	Total Value	Net Assessed Value	Total Value	
2010-2011	88,307,350	736,203,336	90,631,086	751,939,515	12%
2011-2012	74,109,132	616,331,804	74,322,200	622,456,044	12%
2012-2013	66,970,381	570,467,244	67,121,326	573,338,223	12%
2013-2014	66,507,361	558,648,344	66,893,394	563,576,848	12%
2014-2015	68,650,602	606,318,136	78,892,362	702,125,803	11%
2015-2016	68,900,296	627,209,860	80,357,855	738,888,013	11%
2016-2017	71,703,530	652,618,898	83,930,432	773,511,955	11%
2017-2018	76,175,662	698,377,587	91,475,024	848,659,263	11%
2018-2019	81,468,659	753,795,532	104,330,919	980,124,645	11%
2019-2020	87,437,075	816,434,870	122,115,077	1,154,109,710	11%

Source: Yavapai County Assessor

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

Tax Authority	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
Town of Chino Valley	-	-	-	-	-
Yavapai County	1.3524	1.4305	1.6426	1.9308	1.9442
School Equalization	0.3564	0.4259	0.4717	0.5123	0.5089
Yavapai College	1.2046	1.4274	1.6725	1.8241	1.8606
Chino Valley School District	2.7647	3.7791	4.2320	4.9640	5.0146
Total Primary	<u>5.6781</u>	<u>7.0629</u>	<u>8.0188</u>	<u>9.2312</u>	<u>9.3283</u>

Source: Yavapai County Treasurer

<u>2015-2016</u>	<u>2016-2017</u>	<u>2017-2018</u>	<u>2018-2019</u>	<u>2019-20</u>
-	-	-	-	-
1.9317	1.9027	1.8395	1.7788	2.0152
0.5054	0.5010	0.4875	0.4741	0.4566
1.8721	1.8439	1.7827	1.7584	1.6883
4.4236	4.6005	4.3974	4.2808	4.1000
<u>8.7328</u>	<u>8.8481</u>	<u>8.5071</u>	<u>8.2921</u>	<u>8.2601</u>

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

<u>Tax Authority</u>	<u>2010-2011</u>	<u>2011-2012</u>	<u>2012-2013</u>	<u>2013-2014</u>	<u>2014-2015</u>
Town of Chino Valley	-	-	-	-	-
Fire District Assistance	0.0813	0.0928	0.1000	0.1000	0.1000
Flood Control District	0.1994	0.2483	0.2963	0.2162	0.2116
Library District	0.1188	0.1456	0.1660	0.1491	0.1500
Yavapai College	0.1563	0.1901	0.2150	0.2227	0.2231
Chino Valley School District	0.5747	0.6739	0.7845	0.0500	0.0500
Chino Valley Fire District	2.3250	2.8220	3.4531	3.5799	3.5799
Total Secondary	<u>3.4555</u>	<u>4.1727</u>	<u>5.0149</u>	<u>4.3179</u>	<u>4.3146</u>

Source: Yavapai County Treasurer

<u>2015-2016</u>	<u>2016-2017</u>	<u>2017-2018</u>	<u>2018-2019</u>	<u>2019-20</u>
-	-	-	-	-
0.1000	0.1000	0.1000	0.1000	0.1000
0.1976	0.2346	0.2346	0.2188	0.2103
0.1907	0.1815	0.1815	0.1720	0.1651
0.2122	0.1815	0.2001	0.1892	0.1525
0.0500	0.0500	0.0500	0.0500	0.0500
3.6175	3.6175	3.6173	3.5986	3.5732
<u>4.3680</u>	<u>4.3651</u>	<u>4.3835</u>	<u>4.3286</u>	<u>4.2511</u>

Town of Chino Valley, Arizona
Table 8
Sales Tax Revenues by Industry
Fiscal Years 2019, 2018, 2017, 2016, 2015, 2014, 2013, 2012, and 2011

	Fiscal Year 2010-2011		Fiscal Year 2011-2012		Fiscal Year 2012-2013		Fiscal Year 2013-2014		Fiscal Year 2014-15	
	Tax Paid	Percentage of Total	Tax Paid	Percentage of Total						
Construction	\$ 165,563	4.90%	\$ 187,286	5.34%	\$ 428,058	11.03%	\$ 363,845	7.38%	\$ 345,449	6.80%
Manufacturing	67,278	1.99%	53,107	1.51%	67,869	1.75%	67,904	1.38%	74,890	1.47%
Transportation/ Communication/Utilities	605,846	17.93%	634,512	18.09%	639,694	16.48%	817,254	16.59%	764,228	15.05%
Wholesale Trade	118,221	3.50%	140,008	3.99%	135,349	3.49%	169,475	3.44%	167,135	3.29%
Retail Trade	1,670,215	49.42%	1,758,983	50.14%	1,787,495	46.04%	2,457,281	49.87%	2,606,219	51.32%
Restaurants/Bars	286,598	8.48%	291,732	8.32%	298,752	7.70%	415,200	8.43%	477,722	9.41%
Insurance/Real Estate	248,979	7.37%	262,331	7.48%	273,188	7.04%	332,480	6.75%	335,282	6.60%
Services	68,179	2.02%	88,126	2.51%	101,702	2.62%	128,676	2.61%	125,529	2.47%
All Other	148,645	4.40%	91,809	2.62%	150,121	3.87%	174,950	3.55%	182,181	3.59%
Total	\$ 3,379,524	100.00%	\$ 3,507,893	100.00%	\$ 3,882,227	100.00%	\$ 4,927,064	100.00%	\$ 5,078,635	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.

Fiscal Year 2015-16		Fiscal Year 2016-17		Fiscal Year 2017-18		Fiscal Year 2018-19		Fiscal Year 2019-20	
Tax Paid	Percentage of Total								
\$ 354,129	6.61%	\$ 495,600	8.88%	\$ 846,851	13.42%	\$ 937,004	13.37%	\$ 814,408	10.23%
78,910	1.47%	30,895	0.55%	112,066	1.78%	207,019	2.95%	188,099	2.36%
798,024	14.89%	694,022	12.44%	730,917	11.58%	727,641	10.38%	746,936	9.38%
129,501	2.42%	-	0.00%	118,731	1.88%	180,042	2.57%	192,340	2.42%
2,735,267	51.04%	3,171,921	56.86%	3,350,891	53.09%	3,700,174	52.79%	4,745,837	59.60%
501,100	9.35%	573,858	10.29%	600,046	9.51%	655,336	9.35%	696,727	8.75%
348,577	6.50%	378,261	6.78%	399,797	6.33%	430,263	6.14%	534,953	6.72%
130,589	2.44%	144,015	2.58%	139,351	2.21%	153,274	2.19%		0.00%
282,941	5.28%	89,468	1.60%	13,446	0.21%	19,106	0.27%	43,056	0.54%
\$ 5,359,038	100.00%	\$ 5,578,040	100.00%	\$ 6,312,096	100.00%	\$ 7,009,859	100.00%	\$ 7,962,356	100.00%

Town of Chino Valley, Arizona
Table 9
Direct and Overlapping Sales Tax Rates
As of June 30, 2020

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

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

Town of Chino Valley, Arizona
Table 10
Actual Excise Tax Collections
Last Ten Fiscal Years
(modified accrual basis of accounting)

Fiscal Year	City Sales Tax	Franchise Tax	State Shared Sales Tax	Urban Revenue Share	Vehicle License Tax	Total
2010-2011	3,379,524	142,100	932,899	1,199,626	656,953	5,654,149
2011-2012	3,507,894	138,429	845,245	912,963	555,907	5,404,531
2012-2013	3,882,228	133,055	885,392	1,104,933	564,341	6,569,949
2013-2014	5,147,066	135,183	941,543	1,205,692	596,994	8,026,477
2014-2015	5,018,421	125,124	988,552	1,309,465	629,553	8,071,115
2015-2016	5,403,949	136,036	1,022,547	1,302,365	680,388	8,545,285
2016-2017	5,578,040	117,715	1,020,252	1,362,532	712,352	8,790,890
2017-2018	6,312,096	124,329	1,084,425	1,393,419	766,485	9,680,754
2018-2019	7,009,860	127,155	1,179,854	1,417,474	826,894	10,561,236
2019-2020	7,962,355	136,263	1,291,713	1,552,162	852,404	11,794,897

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

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

Fiscal Year	Governmental Activities			Business-Type Activities		
	Capital Leases	Revenue Bonds	Loans Payable	Capital Leases	Notes Payable	Loans Payable
2010-2011	122,894	7,103,540	3,976,792	4,625,715	-	10,314,341
2011-2012	37,028	7,112,149	3,901,784	4,619,085	-	9,935,517
2012-2013	-	7,120,757	3,891,776	4,619,085	-	9,544,790
2013-2014	-	7,129,365	3,816,768	4,566,425	-	9,141,772
2014-2015	519,466	7,137,973	3,731,760	92,329	-	11,689,732
2015-2016	401,035	10,492,581	-	71,280	-	11,034,561
2016-2017	280,302	10,501,189	-	49,820	-	11,400,220
2017-2018	765,976	10,317,000	-	125,090	-	10,748,904
2018-2019	501,399	9,739,405	-	80,590	-	10,115,892
2019-2020	-	9,223,013	-	-	-	9,465,105

(a) See page 127 for population data.

* Means no data available during that fiscal year.

Business-Type Activities			Total Primary Government	Percentage of Personal Income	Per Capita (a)
Related Party Capital Leases	Revenue Bonds	Developer Agreement			
-	746,452	421,443	27,311,177	*	2,523
-	746,351	420,733	26,772,647	*	2,477
-	656,251	420,733	26,253,392	*	2,435
-	611,151	420,733	25,686,214	*	2,382
-	611,051	420,733	24,203,044	*	2,245
-	565,951	420,733	22,986,141	*	2,064
-	520,851	420,733	23,173,115	*	2,081
-	470,751	420,733	22,848,454	*	2,052
-	420,651	420,733	21,278,670	*	1,773
-	370,551	420,733	19,479,402	*	1,574
-					



Town of Chino Valley, Arizona
Table 12
Computation of Direct and Overlapping Debt
June 30, 2020

Jurisdiction	2019-2020 Secondary Assessed Valuation	Net Debt Outstanding	Percentage Applicable to the Town of Chino Valley	Amount Applicable to the Town of Chino Valley	2019-2020 Combined Tax Rate Per \$100 Assessed
State of Arizona	\$ 90,007,305,426	\$ -	0.12%	\$ -	None
Yavapai County	\$ 3,810,753,690	\$ 15,661,006	2.74%	\$ 428,767	0.0000%
Chino Valley School District	\$ 273,847,450	\$ 851,674	100.00%	\$ 851,674	0.0500%
Chino Valley Fire District	\$ 192,182,830	\$ 4,535,000	54.29%	\$ 2,461,930	3.5700%
Yavapai County Library District	\$ 3,810,753,690	\$ -	2.74%	\$ -	0.1491%
Yavapai County Community College	\$ 3,810,753,690	<u>\$ 16,505,000</u>	2.74%	<u>\$ 451,874</u>	<u>0.2227%</u>
Total Overlapping Debt		<u>\$ 37,552,680</u>		<u>\$ 4,194,246</u>	<u>3.9918%</u>
Town of Chino Valley	\$ 104,330,919	<u>\$ 9,223,013</u>	100.00%	<u>\$ 9,223,013</u>	0.0000%
Total Direct Debt		<u>\$ 9,223,013</u>		<u>\$ 9,223,013</u>	
Total Overlapping and Direct Debt		<u><u>\$ 46,775,693</u></u>		<u><u>\$ 13,417,259</u></u>	<u><u>3.9918%</u></u>

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

Note:

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the Town. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Chino Valley. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsibility for repaying the debt, of each overlapping government.

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

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

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

	<u>2010-2011</u>	<u>2011-2012</u>	<u>2012-2013</u>	<u>2013-2014</u>
Secondary Assessed Value	\$ 90,631,086	\$ 74,322,200	\$ 67,121,326	\$ 66,893,394
<u>20% Limitation (a)</u>				
Debt Limit Equal to 20% of Assessed Valuation	\$ 18,126,217	\$ 14,864,440	\$ 13,424,265	\$ 13,378,679
Total Debt Applicable to 20% Limit	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Legal 20% Debt Margin (Available Borrowing Capacity)	<u>\$ 18,126,217</u>	<u>\$ 14,864,440</u>	<u>\$ 13,424,265</u>	<u>\$ 13,378,679</u>
Total Net Debt Applicable to the 20% Limit as a Percentage of 20% Debt Limit	0.00%	0.00%	0.00%	0.00%
<u>6% Limitation (b)</u>				
Debt Limit Equal to 6% of Assessed Valuation	\$ 5,437,865	\$ 4,459,332	\$ 4,027,280	\$ 4,013,604
Total Debt Applicable to 6% Limit	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Legal 6% Debt Margin (Available Borrowing Capacity)	<u>\$ 5,437,865</u>	<u>\$ 4,459,332</u>	<u>\$ 4,027,280</u>	<u>\$ 4,013,604</u>
Total Net Debt Applicable to the 6% Limit as a Percentage of 6% Debt Limit	0.00%	0.00%	0.00%	0.00%

Source: Yavapai County Assessor's Office

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

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

<u>2014-2015</u>	<u>2015-2016</u>	<u>2016-2017</u>	<u>2017-2018</u>	<u>2018-2019</u>	<u>2019-2020</u>
\$ 78,892,362	\$ 80,357,855	\$ 83,930,432	\$ 91,475,024	\$ 104,330,919	\$ 122,115,077
\$ 15,778,472	\$ 16,071,571	\$ 16,786,086	\$ 18,295,005	\$ 20,866,184	\$ 24,423,015
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>\$ 15,778,472</u>	<u>\$ 16,071,571</u>	<u>\$ 16,786,086</u>	<u>\$ 18,295,005</u>	<u>\$ 20,866,184</u>	<u>\$ 24,423,015</u>
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
\$ 4,733,542	\$ 4,821,471	\$ 5,035,826	\$ 5,488,501	\$ 6,259,855	\$ 7,326,905
\$ -	\$ -	\$ -	\$ -		
<u>\$ 4,733,542</u>	<u>\$ 4,821,471</u>	<u>\$ 5,035,826</u>	<u>\$ 5,488,501</u>	<u>\$ 6,259,855</u>	<u>\$ 7,326,905</u>
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

MPC Revenue Bonds 2010 Series				
Fiscal Year Ended June 30,	Excise Tax Collection	Debt Service		Coverage
		Principal	Interest	
2010	6,103,377	-	331,638	18.40
2011	5,654,149	-	331,638	17.05
2012	5,404,531	-	331,638	16.30
2013	6,569,949	-	331,638	19.81
2014	8,026,477	-	331,638	24.20
2015	8,071,115	-	331,638	24.34
2016	8,545,285	-	331,638	25.77
2017	8,790,890	-	331,638	26.51
2018	9,680,754	-	331,638	29.19
2019	10,561,236	150,000	325,638	22.20
2020	11,997,299	205,000	317,438	22.96

Revenue Bonds 2016				
Fiscal Year Ended June 30,	Excise Tax Collection	Debt Service		Coverage
		Principal	Interest	
2016	8,545,285	-	-	-
2017	8,790,890	-	64,695	135.88
2018	9,680,754	309,000	54,290	26.65
2019	10,561,236	320,000	50,296	28.52
2020	11,997,299	320,000	46,354	32.75

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
2014	8,071,115	45,000	26,895	112.26
2015	8,545,285	45,000	25,883	120.56
2016	8,790,890	45,000	24,713	126.10
2017	8,790,890	45,000	23,362	128.59
2018	9,680,754	50,000	21,663	135.09
2019	10,561,236	50,000	19,813	151.28
2020	11,997,299	50,000	17,813	176.92

WIFA 2007				
Fiscal Year Ended June 30,	Excise Tax Collection	Debt Service		Coverage
		Principal	Interest	
2010	6,103,377	66,156	39,976	57.51
2011	5,654,149	67,980	38,100	53.30
2012	5,404,531	69,855	36,174	50.97
2013	6,569,949	71,782	34,194	61.99
2014	8,026,477	73,762	32,160	75.78
2015	8,071,115	75,796	30,070	76.24
2016	8,545,285	77,886	27,922	80.76
2017	8,790,890	80,034	25,714	83.13
2018	9,680,754	82,242	23,447	91.60
2019	10,561,236	84,510	21,116	99.99
2020	11,997,299	86,841	18,720	113.65

WIFA 2008				
Fiscal Year Ended June 30,	Excise Tax	Debt Service		Coverage
	Collection	Principal	Interest	
2010	6,103,377	-	136,563	44.69
2011	5,654,149	210,766	130,632	16.56
2012	5,404,531	216,697	124,534	15.84
2013	6,569,949	222,795	118,265	19.26
2014	8,071,115	229,065	111,816	23.68
2015	8,545,285	235,510	105,192	25.08
2016	8,790,890	242,138	98,378	25.82
2017	8,790,890	248,952	91,372	25.83
2018	9,680,754	255,957	84,170	28.46
2019	10,561,236	263,160	76,765	31.07
2020	11,997,299	270,565	69,152	35.32

WIFA 2014				
Fiscal Year Ended June 30,	Excise Tax	Debt Service		Coverage
	Collection	Principal	Interest	
2015	8,545,285	-	29,950	285.32
2016	8,790,890	121,854	57,121	49.12
2017	8,790,890	124,303	54,622	49.13
2018	9,680,754	126,801	52,073	54.12
2019	10,561,236	129,350	49,473	59.06
2020	11,997,299	131,950	46,822	67.11

WIFA 2016				
Fiscal Year Ended June 30,	Excise Tax	Debt Service		Coverage
	Collection	Principal	Interest	
2016	8,545,285	-	60,462	141.33
2017	8,790,890	150,161	96,326	35.66
2018	9,680,754	153,700	92,723	39.29
2019	10,561,236	134,526	90,745	46.88
2020	11,997,299	139,907	85,262	53.28

WIFA 2017				
Fiscal Year Ended June 30,	Excise Tax	Debt Service		Coverage
	Collection	Principal	Interest	
2017	8,790,890	-	-	
2018	9,680,754	12,156	6,453	520.22
2019	10,561,236	11,398	6,501	590.05
2020	11,997,299	11,349	7,164	648.05



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

<u>Fiscal Year</u>	<u>Town Population</u>	<u>County Population</u>	<u>County Personal Income (in thousands)+</u>	<u>County Per Capita Personal Income</u>	<u>School Enrollment</u>	<u>Yavapai County Unemployment Rate</u>
2010-2011	10,825	211,247	6,248,490	30	3178	10.9%
2011-2012	10,808	211,583	6,448,529	30	3392	9.7%
2012-2013	10,783	211,033	6,753,056	32	3443	8.6%
2013-2014	10,943	215,133	4,853,759	23	3019	8.6%
2014-2015	10,817	218,844	5,593,458	26	3089	8.6%
2015-2016	11,137	222,255	7,112,160	32	2991	8.6%
2016-2017	11,250	225,562	7,900,004	35	2988	4.2%
2017-2018	11,705	228,168	8,199,948	36	2876	4.3%
2018-2019	12,003	231,993	9,352,066	41	2860	4.9%
2019-2020	12,375	235,099	9,731,391	40	2580	5.7%

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

* Detailed information not available.

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

Employer	2020		2019		2018	
	Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment
Chino Valley Unified School	290	2.69%	325	3.01%	250	2.32%
Safeway	175	1.62%	135	1.25%	134	1.24%
Town of Chino Valley	98	0.91%	97.5	0.90%	96.5	0.89%
Sodexo	24	0.22%	46	0.43%	46	0.43%
Bonn Fire Grill	30	0.28%	35	0.32%	35	0.32%
CAFMA In CV	35	0.32%	36	0.33%	0	0.00%
Arizona Highway Safety Specialists	30	0.28%	32	0.30%	32	0.30%
Chino Heating & Cooling	25	0.23%	27	0.25%	27	0.25%
Bar S Machine	0	0.00%	26	0.24%	26	0.24%
Circle L Animal Hospital	20	0.19%	24	0.22%	24	0.22%
Bonnie Plant	24	0.22%	-	0.00%	-	0.00%
Color Spot		0.00%	-	0.00%	-	0.00%
	751	6.96%	783.5	7.27%	670.5	6.22%

Sources: Central Arizona Regional Economic Development Foundation; various employers

2017		2016		2015	
Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment
247	2.29%	249	2.31%	249	2.31%
134	1.24%	135	1.25%	139	1.29%
92	0.85%	96	0.89%	95	0.88%
-	-	-	-	-	-
45	0.42%	45	0.42%	43	0.40%
0	0.00%	0	0.00%	0	0.00%
29	0.27%	29	0.27%	34	0.32%
30	0.28%	43	0.40%	43	0.40%
45	0.42%	45	0.42%	45	0.42%
24	0.22%	22	0.20%	21	0.19%
0	0.00%	38	0.35%	38	0.35%
32	0.30%	31	0.29%	31	0.29%
646	5.99%	702	6.51%	707	6.56%

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

Fiscal Year	Function/Program			
	General Government	Public Safety	Culture & Recreation	Health and Welfare
2010-2011	27	33	9	3
2011-2012	26	30	9	3
2012-2013	30	30	9	3
2013-2014	29	30.5	8	3.5
2014-2015	36	30.5	0.5	3.5
2015-2016	40	30.5	1	3.5
2016-2017	39	31	1.5	3.5
2017-2018	45.5	30	2	4.5
2018-2019	48.5	30	2	4.5
2019-2020	49.25	30.5	2	4.25

Source: Town of Chino Valley Budget

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

Function/Program				
Public Works/Streets	Public Works/Water	Public Works/Sewer		Total
9	3	4		88
9	4	4		85
11	4	4		91
11	3.5	3.5		89
11	3.5	3.5		89
10	2.5	3.5		91
11	2.5	3.5		92
7	3	3		95
7	2.5	2.5		97
7	2.5	2.5		98

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

Function/Program	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020
General Government										
Registered Voters	5,766	*	6,027	*	5,914	*	6,220	6,673	*	8305
Votes cast last election	2,256	*	2,092	*	3,587	*	2,630	2,840	*	7184
Police										
Number of police personnel and officers	33	30	30	30	30	30	31	31	30	30.5
Arrests	388	358	262	440	443	445	444	394	314	276
Citations	1,550	1,539	756	934	808	1,234	1,204	1,532	1,370	1041
Traffic Stops	5,298	5,715	3,503	3,067	2,801	3,166	3,121	3,103	3,440	2576
Security Checks	2,004	1,906	4,717	2,425	2,602	1,979	1,469	914	927	1121
Officer Reports	8,032	10,662	6,643	7,700	6,485	6,257	5,601	5,135	6,810	6487
Calls for Service	13,091	15,350	10,367	11,870	10,988	11,212	10,680	10,239	10,589	10184
Patrol Units	21	19	19	19	19	19	19	20	20	21
Animal Control										
Animal Related Calls	1,099	785	945	829	878	1,005	941	954	889	835
Impounded Dogs	330	309	297	315	301	340	350	341	351	319
Adopted Dogs	*	109	102	121	136	137	139	122	110	140
Dog Licenses Sold	1,996	1,666	1,700	1,807	1,971	1,912	1,986	1,994	1,584	1540
Highways & Streets										
Miles of Paved Roads Maintained	157	157	157	163	153	153	153	153	155	155
Street resurfacing (miles)	0	0	4	0	3	0	2	3	3	
Street sweeping (miles)	0	13	13	13	13	13	13	13	13	13
Potholes repaired (cold mix tons)	144	149	214	168	148	157	157	270	231	218
Water										
Number of wells	19	19	19	19	19	19	19	19	15	15
Total well production (acre feet)	233	240	255	250	250	250	250	267	247	292
Number of metered accounts	607	607	607	626	633	658	720	819	902	869
New Residential Connections	0	0	0	19	7	25	25	99	87	153
Number of Water Tanks	2	2	2	2	2	2	2	2	2	2
Storage Capacity (mg)	1.165	1.165	1.165	1.165	1.165	1.165	1.165	1.165	1.165	1165
Miles of Water Mains	20.5	20.5	20.5	21.0	21.0	21.0	21.0	22.0	22.0	22.5
Line Breaks	0	1	0	0	0	0	0	0	0	0
Average Daily Consumption (thousand of gallons)	208	213	228	223	296	312	312	312	221	260
Number of Fire Hydrant	103	103	103	103	103	103	103	104	105	105
Wastewater										
Number of active accounts	1,672	1,672	1,685	1,689	1,735	1,744	1,767	1,842	2,007	2364
Average daily sewage treatment gallons	295,000	321,000	324,000	325,000	325,000	325,000	325,000	265,000	285,000	288000
Plant Capacity per day gallons	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	50000
Gallons Recharged in Aquifer (acre feet)	225	230	242	244	246	251	251	284	277	309
Miles of Collection System			33	33	34	34	34	35	36	36

(Continued)

Function/Program	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020
Facilities Maintenance										
Number of Buildings Maintained	19	20	20	20	20	20	20	20	20	20
Square Footage of Buildings Maintained	55,704	55,704	55,704	55,704	55,704	55,704	55,704	55,704	55,704	55,704
Number of HVAC Unites Maintained	42	44	44	44	44	44	44	44	44	44
Parks and Recreation										
Park Areas	5	5	5	5	5	5	5	5	5	5
Total Miles of Trails	3	3	3	3	3	3	3	3	3	3
Parkland Acreage	47	47	47	47	47	47	47	47	47	47
Total Open Space Acres	89	89	82	82	82	82	82	82	82	82
Total Acres of Turf	20	20	20	20	20	20	20	20	20	20
Gallons of Water User per Acre of Turf	*	1,041,000	931,000	700,000	793,000	806,000	806,000	810,000	450,000	650,000
Ball Fields	6	6	6	6	6	6	6	6	6	6
Playgrounds	2	2	2	2	2	2	2	2	2	2
Aquatic Center Admissions	*	12,324	11,189	13,442	12,074	10,771	12,180	16,638	16,246	N/A Covid
Economic Development										
Building Permits-Commercial	11	19	27	13	65	53	56	61	46	35
Building Permits-Residential	167	165	147	220	225	265	319	439	368	400
Housing Rehabilitations	*	*	8	0	3	0	0	0	0	0
Code Enforcement Cases	256	183	208	176	223	186	197	200	369	277
Planning Cases	6	11	17	14	16	16	15	19	21	30
Culture - Library										
Items in Collections	52,334	50,581	43,055	44,249	53,523	49,072	57,009	72,454	72,730	74443
Total Items Circulated	90,700	110,926	108,515	114,171	112,843	113,231	110,202	107,584	103,374	84903
Reference Transactions	5,863	5,753	4,999	4,551	5,891	5,008	4,752	3,041	2,899	N/A Covid
Computer Uses	15,600	15,600	15,603	15,307	16,702	15,102	15,888	15,515	15,087	N/A Covid
Inter Library Loan	18,696	8,904	18,061	25,696	23,238	29,504	23,490	30,427	13,294	25874
Total Library Attendance	68,791	68,934	60,273	60,380	62,346	60,533	66,131	64,960	63,214	6374
Culture - Senior Center										
Total Meals Served in House	9,205	8,565	8,493	10,211	11,606	13,264	13,744	14,612	12,872	11947
Total Meals on Wheels	13,077	8,091	9,101	8,264	10,582	12,065	10,428	10,174	11,574	11182
										(Concluded)

Sources: Various City Departments

Note: Voter registration is taken every two years.

* Not available

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

Function/Program	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020
Public Safety						
Stations	1	1	1	1	1	1
Patrol units	19	19	19	20	20	21
Highways and Streets						
Streets (miles)	153	153	153	153	153	153
Water						
Water mains (miles)	19.5	19.5	19.5	22	22	22
Fire hydrants	103	103	103	103	103	103
Sewer						
Sanitary Sewer (miles)	32	32	33	35	35.00	35
Maximum daily treatment capacity (thousands of gallons)	500,000	500,000	500,000	500,000	500,000.00	500000
Recreation and Aquatics						
Parks Acreage	47	47	47	47	47	47
Number of Parks	5	5	5	5	5	5
Swimming Pools	1	1	1	1	1	1
Ball Fields	6	6	6	6	6	6

* Not available

Sources: Various City Departments

Compliance Section





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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, 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, 2020, and the related notes to the financial statements, which collectively comprise the Town of Chino Valley, Arizona's basic financial statements and have issued our report thereon dated December 17, 2020.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-002 that we consider to be a significant deficiency.

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 have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Chino Valley, Arizona's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of non-compliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2020-003.

Town of Chino Valley, Arizona's Response to Findings

Town of Chino Valley, Arizona's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Town of Chino Valley, Arizona's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Henry + Horne, LLP

Tempe, Arizona
December 17, 2020



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

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

Report on Compliance for Each Major Federal Program

We have audited Town of Chino Valley, Arizona's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town of Chino Valley, Arizona's major federal programs for the year ended June 30, 2020. The Town of Chino Valley, Arizona's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Town of Chino Valley, Arizona, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2020.

Report on Internal Control Over Compliance

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

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

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

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

Henry + Horne, LLP

Tempe, Arizona
December 17, 2020

TOWN OF CHINO VALLEY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2020

Federal Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	Cluster Title	Pass-through Grantor	Pass-through Entity Identifying Number	Expenditures
<u>U.S. Department of Housing and Urban Development</u>					
Community Development Block Grants/Entitlement Grants	14.218	Entitlement Grants Cluster	US Department of Housing & Urban Development	113-19	\$ 318,601
Total U.S. Department of Housing and Urban Development					<u>318,601</u>
<u>U.S. Department of Justice</u>					
Direct Grant					
Bulletproof Vest Partnership Program	16.607				406
Total U.S. Department of Justice					<u>406</u>
<u>U.S. Department of Transportation</u>					
National Priority Safety Programs	20.616	Highway Safety Cluster	Governor's Office of Highway Safety	2020-PTS-011	19,195
Total U.S. Department of Transportation					<u>19,195</u>
<u>U.S. Department of Treasury</u>					
COVID-19 Coronavirus Relief Fund	21.019		State of Arizona Governor's Office	ERMT-20-022	917,271 *
Total U.S. Department of Treasury					<u>917,271</u>
Total Expenditures of Federal Awards					<u><u>\$ 1,255,472</u></u>

* Denotes a major program



TOWN OF CHINO VALLEY, ARIZONA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2020

NOTE 1 BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Town of Chino Valley under programs of the federal government for the year ended June 30, 2020. The information in this schedule is presented in accordance with requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town of Chino Valley, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Chino Valley.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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



TOWN OF CHINO VALLEY, ARIZONA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2020

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors’ report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiency(ies) identified that are not considered to be a material weakness(es)?

X yes ___ no
 X yes ___ none reported

Noncompliance material to financial statements noted?

X yes ___ no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?
- Significant deficiency(ies) identified that are not considered to be a material weakness(es)?

___ yes X no
 ___ yes X none reported

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?

___ yes X no

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
21.019	COVID-19 Coronavirus Aid, Relief, and Economic Security Act (CARES Act)

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

___ yes X no

TOWN OF CHINO VALLEY, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2020

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

FINDING: 2020-001 – FINANCIAL STATEMENT CLOSING PROCESS

CRITERIA

The Town must perform and review all year-end closing entries related to tax receivables and revenues within a reasonable amount of time after year-end to ensure amounts included in the financial statements are presented in accordance with Generally Accepted Accounting Principles (GAAP), Government Accounting Standards Board (GASB) Statement 33.

CONDITION/CONTEXT

Tax receivables and revenues were not accurately recorded in the correct period, indicating closing procedures were not properly followed.

EFFECT

Tax receivables and revenues were understated by a material amount. Audit adjustments were required to properly state the tax receivables and revenues in the correct period.

CAUSE

Review procedures over year-end entries were not properly performed.

RECOMMENDATION

We recommend the Town review all year end entries to ensure amounts included in the financial statements are presented in the correct period in accordance with GASB Statement 33.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTION PLAN

We concur with the finding. See Corrective Action Plan.

TOWN OF CHINO VALLEY, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2020

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

FINDING: 2020-002 – RECONCILIATION OF PERMIT FEES

CRITERIA

The Town must perform and review reconciliations to ensure amounts included in the financial statements are presented in accordance with Generally Accepted Accounting Principles. (GAAP).

CONDITION/CONTEXT

A reconciliation of permit fees was not performed to ensure the sub-ledger matched the general ledger.

EFFECT

A lack of permit fee reconciliations can lead to a significant misstatement in the Town's financial statements.

CAUSE

Reconciliation procedures were not properly performed between system subledgers for permit fees and the Town's general ledger.

RECOMMENDATION

We recommend the Town perform a monthly reconciliation of permit fees to ensure amounts included in the financial statements are presented accurately and in accordance with GAAP.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTION PLAN

We concur with the finding. See Corrective Action Plan.

TOWN OF CHINO VALLEY, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2020

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

FINDING: 2020-003 – COMPLIANCE WITH DEBT AGREEMENT

CRITERIA

The Town must upload its continuing disclosure requirements and financial statements to the Electronic Municipal Market Access (EMMA) by the date required in the bond documents issued in order to remain in compliance with the Town's bond agreements.

CONDITION/CONTEXT

The required continuing disclosure and financial statement audit reports for the fiscal year 2019 was not uploaded to EMMA by the deadline required in the Town's bond documents.

EFFECT

Bond holders, rating agencies, advisers and other users related to the Town's bond financing did not have timely information related to the Town's continuing compliance requirements and financial statements as agreed to in the bond issuance by the Town.

CAUSE

Town management did not follow year end procedures.

RECOMMENDATION

We recommend Town management set a reminder to upload all documents stated in the Town's bond financing continuing disclosure requirements to EMMA immediately after the audit has been issued.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTION PLAN

We concur with the finding. See Corrective Action Plan.



Finance Department
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CORRECTIVE ACTION PLAN

The Town of Chino Valley respectfully submits the following corrective action plan for the year ended June 30, 2020.

Henry & Horne, LLP
2055 E Warner Rd, Suite 101
Tempe, AZ 85284

Audit period: July 1, 2019 through June 30, 2020

The findings from the June 30, 2020 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINANCIAL STATEMENT

FINDING MATERIAL

WEAKNESS

2020-001 FINANCIAL STATEMENT CLOSING PROCESS

Recommendation:

We recommend the Town review all year end entries to ensure amounts included in the financial statements are presented in the correct period in accordance with GASB Statement 33.

Corrective Action Plan:

The Town's management concurs with the recommendation and will implement a review of sales tax revenues at fiscal year-end to verify accurate cut-off of the sales tax revenues applicable to the current fiscal year.

Anticipated Completion Date: June 30, 2021

FINANCIAL STATEMENT FINDING

SIGNIFICANT DEFICIENCY

2020-002 RECONCILIATION OF PERMIT FEES

Recommendation:

We recommend the Town perform a monthly reconciliation of permit fees to ensure amounts included in the financial statements are presented accurately and in accordance with GAAP.

Corrective Action Plan:

The Town's management concurs with the recommendation and will implement a monthly reconciliation of permit fees to ensure amounts included in the financial statements are presented accurately and in accordance with GAAP.

Anticipated Completion Date: December 31, 2020

COMPLIANCE FINDING

2020-003 COMPLIANCE WITH DEBT AGREEMENT

Recommendation:

We recommend Town management set a reminder to upload all documents stated in the Town's bond financing continuing disclosure requirements to EMMA immediately after the audit has been issued.

Corrective Action Plan:

The Town's management concurs with the recommendation and will upload the financial information to EMMA immediately after the audit has been issued.

Anticipated Completion Date: December 31, 2020

If there are questions regarding this plan, please call Joe Duffy, Administrative Services Director, (928) 636-2646.



Joe Duffy, Administrative Services Director