A photograph of a field with a barbed wire fence in the foreground and mountains in the distance under a cloudy sky. The field is filled with green and brown vegetation, including some blue flowers. The sky is filled with large, white and grey clouds, with a hint of blue. The overall scene is a rural landscape.

Town of Chino Valley, Arizona

Comprehensive Annual Financial Report

For Fiscal Year Ended June 30, 2016

TOWN OF CHINO VALLEY, ARIZONA



COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2016

TOWN OF CHINO VALLEY, ARIZONA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016



Prepared by the Finance Department

Joe R. Duffy, CPA, Finance Director

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Introductory Section





November 29, 2016

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, 2016 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, 2016 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosure in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement preparation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Town of Chino Valley's statements for the fiscal year ended June 30, 2016 are presented fairly in conformity with GAAP. The report of the independent auditor is presented as the first component of the financial section of this report.

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

REPORTING ENTITY

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

PROFILE OF THE TOWN OF CHINO VALLEY

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

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

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

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

STATE ROUTE HIGHWAY 89

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

A major project was completed last year dividing into four lanes the 10 mile section of Highway 89 between Chino Valley and Prescott reducing the travel time between these communities. Construction of a roundabout at Perkinsville Road and major drainage improvements along the Peavine trail were also completed.

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

responsible for carrying out the policies and ordinances of the Town Council as well as overseeing the day-to-day operation.

FINANCIAL INFORMATION

Internal Controls

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

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

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

Budgetary Controls

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

The Town operates under the Home Rule Option that must be adopted by the local voters every four years. Home Rule allows the Mayor and Council, as part of the annual budget process to adopt an Alternative Expenditure Limitation equal to the total amount of budgeted expenditures/expenses as it appears on the annual budget to be adopted each year after a public hearing at which the citizens of the Town may comment. The Town adopted the Local Alternative Expenditure Limitation in August 2016 to be used through June 2021.

Under the Local Alternative Expenditure Limitation, the Town is allowed to adjust the state imposed expenditure base from \$6,317,822 to \$23,898,000 for fiscal year 2015-2016.

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

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

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

Cash Management

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

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

Risk Management

The Town is a member in the Arizona Municipal Risk Retention Pool along with approximately 60 other members. The Pool provides coverage for claims to a maximum of \$2 million per occurrence on a 'claims made' basis. Excess coverage is for an additional \$8,000,000 per occurrence on a follow form, claims made basis. No significant reduction in insurance coverage occurred in 2015-2016 and no settlements exceeded insurance coverage during any of the past three fiscal years.

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

Economic Conditions and Outlook

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

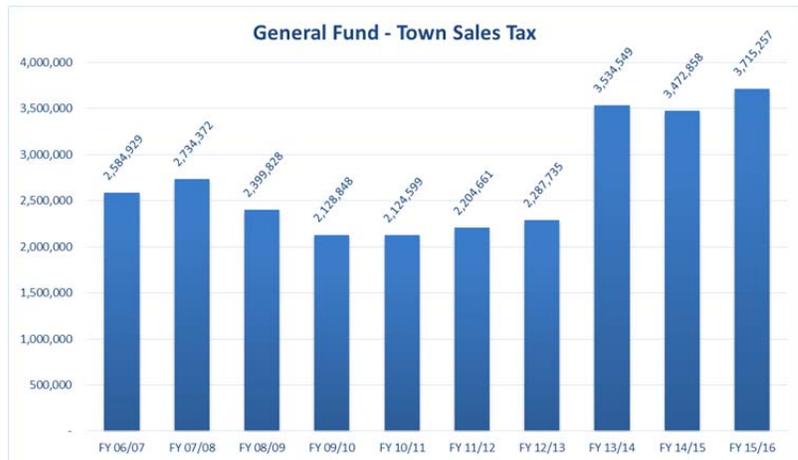
The economy of Chino Valley is a diverse combination of agriculture, manufacturing, commercial, government and service activities. Local indicators are pointing to stability, after several turbulent years during the economic downturn. All local excise taxes, state-shared revenue, state income tax and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

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

Local Sales Tax, also known as Town Sales Tax, indicators have been mixed since 2005. Local Sales Taxes are comprised of retail, construction, manufacturing, restaurant/bar, hotel/motel, and other taxing categories. In 2007/2008, Town Sales Tax rose to a high of \$2,734,372 then fell to a low of \$2,124,599 in FY 2010/2011. The fluctuation is directly related to the growth and eventual decline in the local housing market.

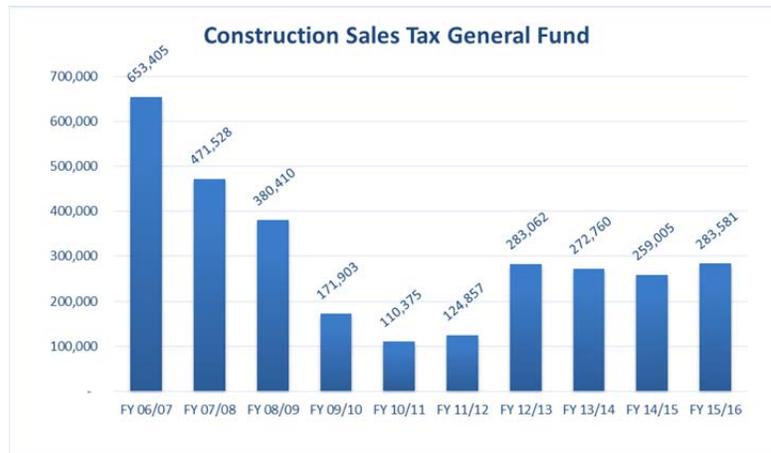
The Town's Sales Tax collections have shown steady growth since 2011. Total Sales Tax declined slightly in fiscal year 2015 compared to fiscal year 2014 due to a one-time payment to settle a long standing past due amount.

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



Construction Sales Tax was a significant portion of the Town's tax collections during the housing boom from 2004 to 2008. Construction sales tax is also the most volatile and unstable although it has been relatively stable since 2012/2013. The graph below shows the fluctuations in construction sales tax from 2006/2007 to 2015/2016.

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 2016 the Town adopted a Strategic Financial Plan to establish the fiscal priorities and measures needed to ensure the long term fiscal health of the community. The Town undertook the development of a new budget format in conformity with the Government Finance Officers Association (GFOA) recommended practices in an effort to improve communication of the Town's financial condition to the community.

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

- The Town completed a major drainage project on the Pevine trail and Chino Meadows for \$955,790.
- The Town contributed \$300,000 in partnership with the Arizona Department of Transportation to completed a new roundabout on Highway 89 at Perkinville Road.
- The Town purchased and installed new screens at the Waste Water Treatment Plant for \$132,500.

The Town also made several improvements to the shooting range, Senior Center, animal control facility and acquired several pieces of equipment including two police motorcycles.

OTHER INFORMATION

Independent Audit

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

Acknowledgements

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

Respectfully submitted,


Joe R. Duffy, CPA
Finance Director



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

Town of Chino Valley
Arizona

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

TOWN OF CHINO VALLEY, ARIZONA



LIST OF PRINCIPAL OFFICIALS

Town Council

Chris Marley, Mayor

Darryl L. Croft, Vice Mayor

Mike R. Best, Council Member

Susie Cuka, Council Member

Corey Mendoza, Council Member

Jack Miller, Council Member

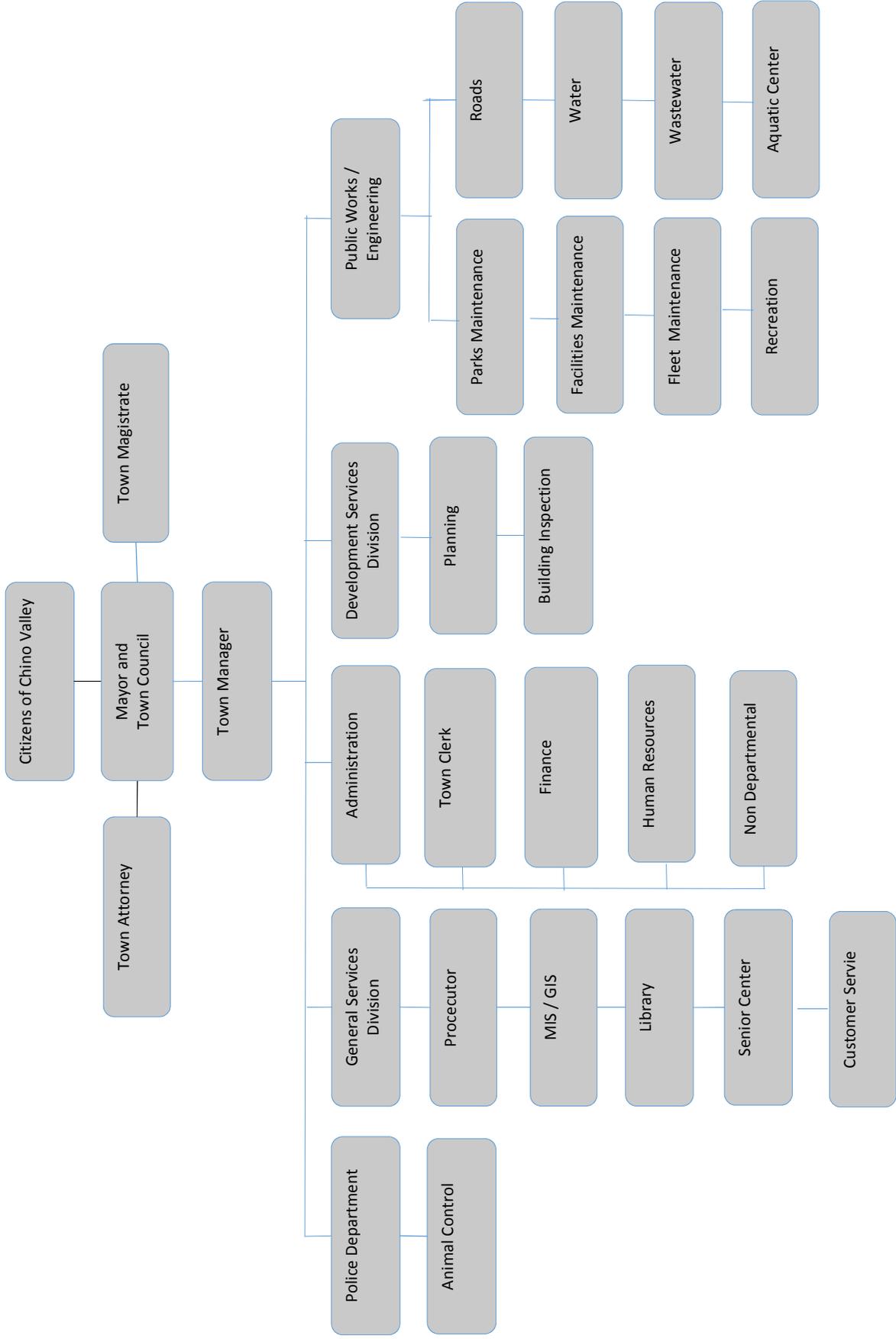
Lon Turner, Council Member

Town Manager

Robert Smith

Finance Director

Joe R. Duffy, CPA





Financial Section





HENRY & HORNE, LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Chino Valley, Arizona, as of and for the year ended June 30, 2016, 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.

Tempe
2055 E. Warner Road
Suite 101
Tempe, AZ 85284-3487
(480) 839-4900
Fax (480) 839-1749

Scottsdale
7098 E. Cochise Road
Suite 100
Scottsdale, AZ 85253-4517
(480) 483-1170
Fax (480) 483-7126

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

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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

The financial information listed as other supplementary information in the table of contents and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements

themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the financial information listed as other supplementary information in the table of contents and the schedule of expenditures of federal awards, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2016 on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Chino Valley, Arizona's, internal control over financial reporting and compliance.

Henry + Horne LLP

Casa Grande, Arizona
November 29, 2016

Financial Section

MANAGEMENT'S DISCUSSION & ANALYSIS



**TOWN OF CHINO VALLEY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2016**

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, 2016. 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 \$18.53 million at the close of the fiscal year.
- Total net position, excluding the impact of GASB Statement 68, increased by \$1,043,740.
- Governmental taxes and other governmental revenues exceeded expenses by \$1,127,794.
- Business-type expenses exceeded total business-type revenues, including transfers by \$324,310.
- Total revenues from all sources were \$14.30 million.
- The total cost of all Town programs was \$13.08 million.
- The General Fund reported excess revenue over expenditures and transfers of \$172,397.
- At the end of the current fiscal year, fund balance for the General Fund was \$5.7 million or 76% of total General Fund expenditures, excluding transfers.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

The basic governmental fund financial statements can be found on pages 21-29 of this report.

Proprietary Funds. The Town of Chino Valley maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town of Chino Valley uses enterprise funds to account for its water and sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water fund and sewer fund, both of which are considered to be major funds of the Town of Chino Valley.

The basic proprietary fund financial statements can be found on pages 31-36 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. The Town did not have any fiduciary funds to report at year end.

Notes to the Financial Statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 37-73 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the Town of Chino Valley's progress in funding its obligation to provide pension and OPEB benefits to its employees. Required supplementary information can be found on pages 75-84 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 \$18.53 million as of June 30, 2016 as shown in the following condensed statement of net position. The Town has chosen to account for its water and sewer operations in an enterprise fund which is shown as Business Activities.

Town of Chino Valley, Arizona
Condensed Statement of Net Position

	Governmental Activities		Business-type Activities		Total Government	
	6/30/2016	6/30/2015	6/30/2016	6/30/2015	6/30/2016	6/30/2015
Current and other assets	\$ 8,508,409	\$ 7,712,100	\$ (271,823)	\$ (348,370)	\$ 8,236,586	\$ 7,363,730
Capital assets	15,713,023	15,733,089	28,170,426	29,272,661	43,883,449	45,005,750
Total assets	<u>24,221,432</u>	<u>23,445,189</u>	<u>27,898,603</u>	<u>28,924,291</u>	<u>52,120,035</u>	<u>52,369,480</u>
Deferred outflows of resources	2,186,884	2,095,563	87,961	97,972	2,274,845	2,193,535
Long-term liabilities outstanding	18,436,737	18,255,051	12,641,867	13,329,322	31,078,604	31,584,373
Other liabilities	1,099,291	1,152,307	3,406,373	3,392,967	4,505,664	4,545,274
Total liabilities	<u>19,536,028</u>	<u>19,407,358</u>	<u>16,048,240</u>	<u>16,722,289</u>	<u>35,584,268</u>	<u>36,129,647</u>
Deferred inflows of resources	514,466	868,622	44,046	81,386	558,512	950,008
Net position:						
Net investment in capital assets	5,424,332	4,343,890	16,077,901	16,458,815	21,502,233	20,802,705
Restricted	1,327,962	1,822,045	482,116	750,922	1,810,078	2,572,967
Unrestricted	(394,472)	(901,163)	(4,665,739)	(4,991,149)	(5,060,211)	(5,892,312)
Total net position	<u>\$ 6,357,822</u>	<u>\$ 5,264,772</u>	<u>\$ 11,894,278</u>	<u>\$ 12,218,588</u>	<u>\$ 18,252,100</u>	<u>\$ 17,483,360</u>

Governmental Activities

The cost of all Governmental activities, excluding transfers, this year was \$10.1 million which is equal to last fiscal year. As shown on the statement of Changes in Net Position below, \$709,646 was paid for by those who directly benefited from the programs; \$2,026,930 was subsidized by grants received from other governmental organizations for both capital and operating activities.

Overall governmental program revenues, including intergovernmental aid, donations, and fees for services were \$2.73 million. General taxes and investment earnings totaled \$8.61 million.

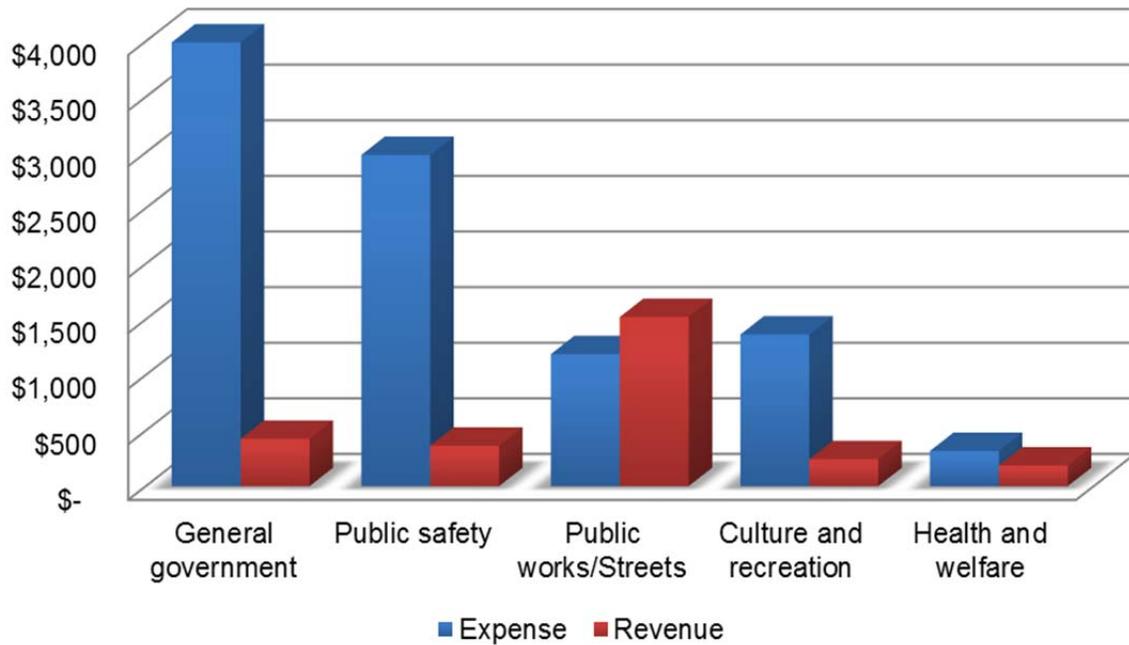
The Town's programs include: General Government, Public Safety, Public Works/Streets, Culture & Recreation, Health & Welfare, Water, and Sewer Services. Each programs' net cost (total cost less revenues generated by the activities) is presented below. The net cost shows the extent to which the Town's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

Town of Chino Valley, Arizona						
Changes in Net Position						
	Governmental		Business-type		Total	
	Activities		Activities		Government	
	6/30/2016	6/30/2015	6/30/2016	6/30/2015	6/30/2016	6/30/2015
Revenues:						
Program revenues:						
Charges for services	\$ 716,206	\$ 583,679	\$ 1,951,645	\$ 1,839,259	\$ 2,667,851	\$ 2,422,938
Operating grants and contributions	1,341,035	1,292,377	-	-	1,341,035	1,292,377
Capital grants and contributions	685,895	805,730	157,938	192,425	843,833	998,155
General revenues:						
Taxes	7,298,378	6,825,892	-	-	7,298,378	6,825,892
Urban revenue sharing	1,302,365	1,309,465	-	-	1,302,365	1,309,465
Other revenue/(expense)	8,486	(12,106)	1,671	1,296	10,157	(10,810)
Total revenues	<u>11,352,365</u>	<u>10,805,037</u>	<u>2,111,254</u>	<u>2,032,980</u>	<u>13,463,619</u>	<u>12,838,017</u>
Expenses:						
General government	4,264,993	3,457,971	-	-	4,264,993	3,457,971
Public safety	2,978,132	3,015,691	-	-	2,978,132	3,015,691
Public works/Streets	1,186,710	1,440,937	-	-	1,186,710	1,440,937
Culture and recreation	1,363,577	1,235,085	-	-	1,363,577	1,235,085
Health and welfare	316,355	251,416	-	-	316,355	251,416
Interest on long-term debt	239,804	717,706	-	-	239,804	717,706
Water	-	-	673,242	770,833	673,242	770,833
Sewer	-	-	2,294,822	2,461,103	2,294,822	2,461,103
Total expenses	<u>10,349,571</u>	<u>10,118,806</u>	<u>2,968,064</u>	<u>3,231,936</u>	<u>13,317,635</u>	<u>13,350,742</u>
Increase / (decrease) in net position						
before special items and transfers	1,002,794	686,231	(856,810)	(1,198,956)	145,984	(512,725)
Special items	-	-	382,500	1,660,154	382,500	1,660,154
Transfers in (out)	(150,000)	(280,700)	150,000	280,700	-	-
Change in net position	<u>852,794</u>	<u>405,531</u>	<u>(324,310)</u>	<u>741,898</u>	<u>528,484</u>	<u>1,147,429</u>
Net position, beginning	5,264,772	10,481,630	12,218,588	11,910,264	17,483,360	22,391,894
Restatement	240,256	(5,622,389)	-	(433,574)	240,256	(6,055,963)
Net position, beginning - restated	<u>5,505,028</u>	<u>4,859,241</u>	<u>12,218,588</u>	<u>11,476,690</u>	<u>17,723,616</u>	<u>16,335,931</u>
Ending net position	<u>\$ 6,357,822</u>	<u>\$ 5,264,772</u>	<u>\$ 11,894,278</u>	<u>\$ 12,218,588</u>	<u>\$ 18,252,100</u>	<u>\$ 17,483,360</u>

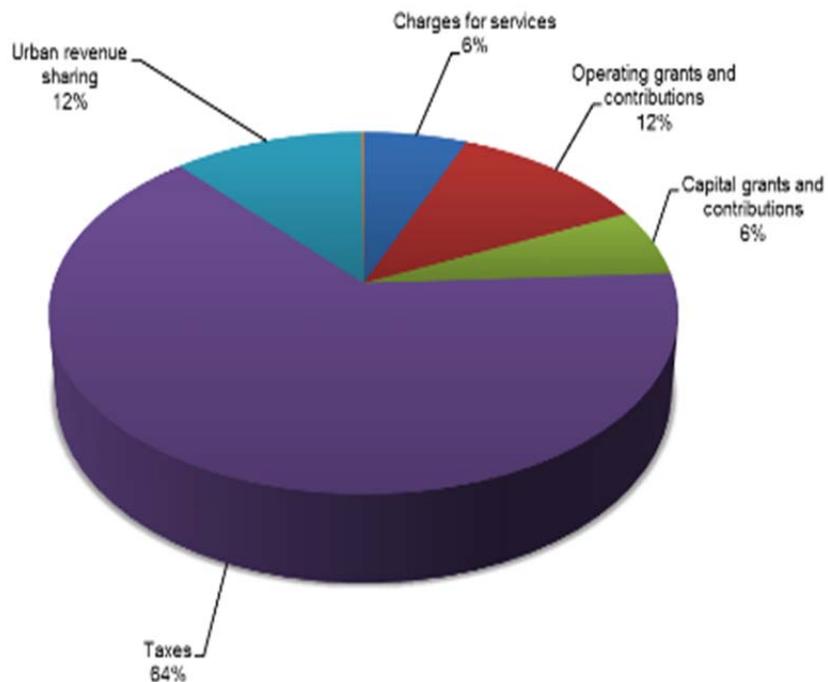
Total resources available during the year to finance governmental operations were \$16.54 million, consisting of net position at July 1, 2015 of \$5.2 million, program revenues of \$2.73 million and General Revenues of \$8.61 million. Total Governmental Activities during the year were \$10.1 million along with transfers to proprietary funds of \$150,000; thus Governmental Net Position was increased by \$1,368,050 million to \$6.6 million.

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

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

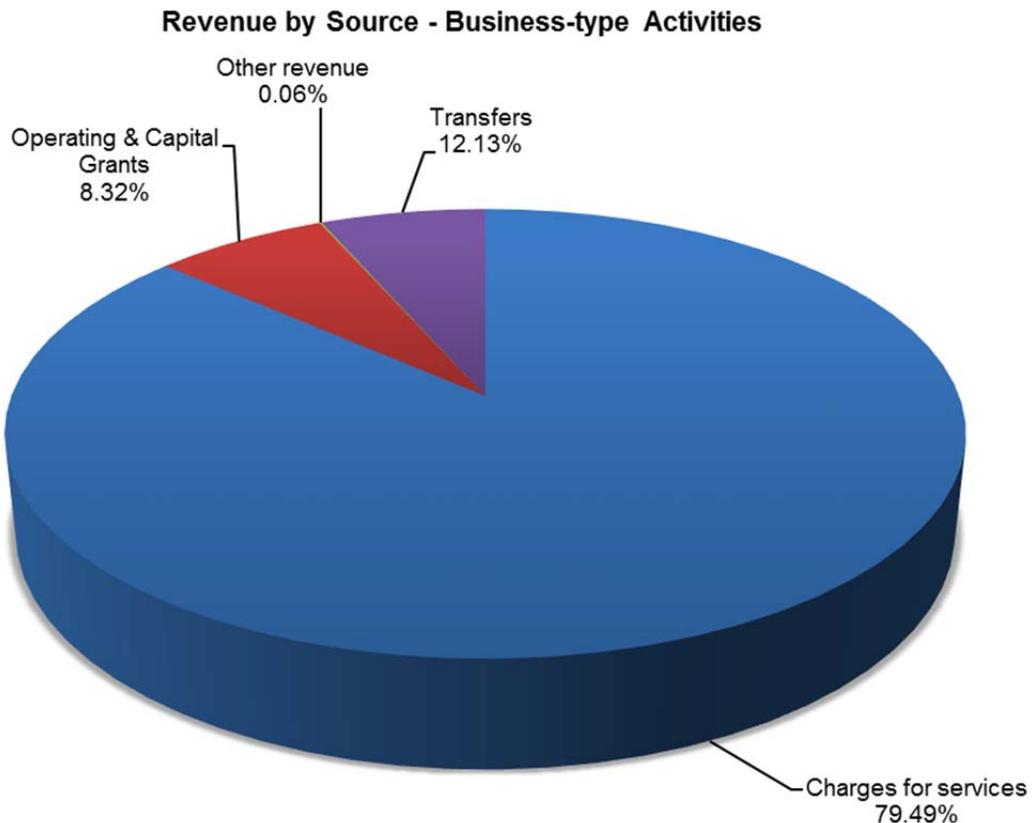
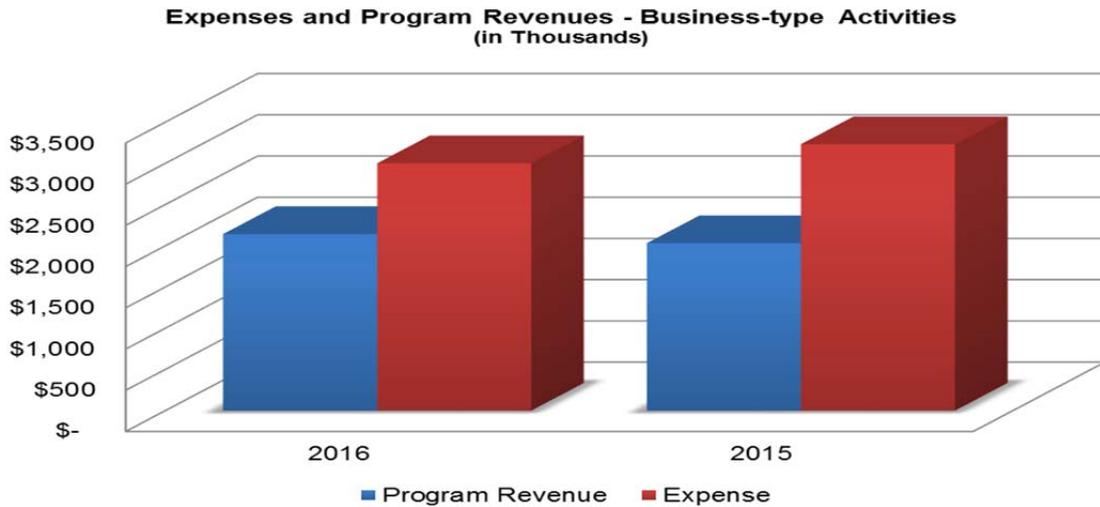


Revenue by Source - Governmental Activities



Business Type Activities

Net position of the Business Type activities at June 30, 2016, as reflected in the Statement of Net Position was \$11.9 million. The cost of providing all Proprietary (Business Type) activities this year was \$3.0 million. As shown in the statement of Changes in Net Position, the amounts paid by users of the system were \$1.98 million and there was \$157,938 subsidized by capital grants and contributions. Interest earnings were \$1,671 and transfers from governmental funds were \$150,000. The Net Position decreased by \$324,310.



Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the Town of Chino Valley's governmental funds reported combined ending fund balances of \$7,627,324 an increase of \$424,821 in comparison with the prior year. Approximately, 54% of this total amount, \$4,125,084 constitutes unassigned fund balance, which is available for new spending at the government's discretion. The remainder of the fund balance is restricted or assigned 1) to pay debt service, 2) to pay for capital improvements or 3) for a variety of other restricted purposes.

The general fund is the chief operating fund of the Town of Chino Valley. At the end of the current fiscal year, unreserved, unassigned fund balance in the general fund was \$4,124,975, while total fund balance is \$5,705,981. 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 58% of total general fund expenditures, while total fund balance represents 80% of the same amount.

During the year, the Town of Chino Valley's general fund balance increased by \$746,470. The key factor in this increase was the Town's continued expenditure control efforts and realized increases in Intergovernmental Revenues and Charges for Service.

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

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

Net position of the proprietary funds was \$11.89 million as of June 30, 2016. Operating revenues in fiscal year 2016 were \$526,195 for water and \$1,377,156 for sewer while operating expenses were \$648,528 for water and \$1,988,738 for sewer, resulting in operating losses of \$122,334 for water and \$611,585 for sewer. The water and sewer operating expenses decreased from the prior year mainly due to reduced and maintenance and repair costs. The water net operating loss was offset by transfers in from governmental funds and buy in and connection fees.

General Fund Budgetary Highlights

Actual expenditures, excluding transfers, for the General Fund at year-end were \$519,855 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 2016, net capital assets of the government activities totaled \$15.71 million and the net capital assets of the business-type activities totaled \$28.17 million. Depreciation on capital assets is recognized in the Government-Wide financial statements. (See note 4 to the financial statements)

Debt

At year-end, the Town had \$18.4 million in governmental type debt, and \$12.6 million in proprietary debt. The debt is a liability of the government and amounts to \$2,873 per capita. During the current fiscal year, the Town's total debt decreased by \$505,769. (See note 5 to the financial statements)

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

In building the Town Budget for fiscal year 2016/2017, the Town Council and management considered the slight increase in state shared revenues, and the adopted utility rate increases and established expenditure budgets accordingly. The town instituted a merit system for town staff.

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

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

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

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, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 6,159,806	\$ -	\$ 6,159,806
Receivables (net of allowances)	1,089,574	460,896	1,550,470
Internal balances	1,214,835	(1,214,835)	-
Prepaid items/inventory	43,818	-	43,818
Temporarily restricted assets			
Cash and cash equivalents	376	482,116	482,492
Capital assets:			
Nondepreciable capital assets	2,519,130	3,905,009	6,424,139
Depreciable capital assets (net of accumulated depreciation)	13,193,893	24,265,417	37,459,310
Total assets	<u>24,221,432</u>	<u>27,898,603</u>	<u>52,120,035</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding	604,925	-	604,925
Deferred outflows of resources related to pensions	1,003,746	59,260	1,063,006
Deferred outflows of employer contributions to pensions	578,213	28,701	606,914
Total deferred outflows of resources	<u>2,186,884</u>	<u>87,961</u>	<u>2,274,845</u>
LIABILITIES			
Accounts payable and other current liabilities	727,103	109,958	837,061
Accrued wages and benefits	205,724	9,561	215,285
Interest payable	166,464	155,297	321,761
Unearned revenue	-	3,131,557	3,131,557
Noncurrent liabilities:			
Due within one year:			
Compensated absences	250,000	11,000	261,000
Capital leases payable	120,734	21,458	142,192
Loans/ developer agreements payable	-	603,470	603,470
Bonds payable	-	45,000	45,000
Due in more than one year:			
Compensated absences	194,170	18,828	212,998
Capital leases payable	280,301	49,822	330,123
Loans/ developer agreements payable	-	10,851,824	10,851,824
Bonds payable	10,492,581	520,951	11,013,532
Net pension liability	7,098,951	519,514	7,618,465
Total liabilities	<u>19,536,028</u>	<u>16,048,240</u>	<u>35,584,268</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	514,466	44,046	558,512
Total deferred inflows of resources	<u>514,466</u>	<u>44,046</u>	<u>558,512</u>
NET POSITION			
Net investment in capital assets	5,424,332	16,077,901	21,502,233
Restricted for:			
Highways and streets	498,588	-	498,588
Capital projects	566,191	-	566,191
Debt service	128,707	482,116	610,823
Public safety	94,091	-	94,091
Other purposes	40,385	-	40,385
Unrestricted (deficit)	<u>(394,472)</u>	<u>(4,665,739)</u>	<u>(5,060,211)</u>
Total net position	<u>\$ 6,357,822</u>	<u>\$ 11,894,278</u>	<u>\$ 18,252,100</u>

See accompanying notes.

TOWN OF CHINO VALLEY, ARIZONA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
General government	\$ 4,264,993	\$ 403,032	\$ 28,653	\$ -
Public safety	2,978,132	224,484	81,324	57,632
Public works/streets	1,186,710	1,589	890,948	628,263
Culture and recreation	1,363,577	69,494	172,312	-
Health and welfare	316,355	17,607	167,798	-
Interest on long-term debt	239,804	-	-	-
Total governmental activities	<u>10,349,571</u>	<u>716,206</u>	<u>1,341,035</u>	<u>685,895</u>
Business-type activities				
Water	673,242	526,195	-	76,000
Sewer	2,294,822	1,425,450	-	81,938
Total business-type activities	<u>2,968,064</u>	<u>1,951,645</u>	<u>-</u>	<u>157,938</u>
Total primary government	<u>\$ 13,317,635</u>	<u>\$ 2,667,851</u>	<u>\$ 1,341,035</u>	<u>\$ 843,833</u>

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

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

Net position, end of year

Net (Expense) Revenue and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (3,833,308)	\$ -	\$ (3,833,308)
(2,614,692)	-	(2,614,692)
334,090	-	334,090
(1,121,771)	-	(1,121,771)
(130,950)	-	(130,950)
(239,804)	-	(239,804)
<u>(7,606,435)</u>	<u>-</u>	<u>(7,606,435)</u>
-	(71,047)	(71,047)
-	(787,434)	(787,434)
-	(858,481)	(858,481)
<u>(7,606,435)</u>	<u>(858,481)</u>	<u>(8,464,916)</u>
5,455,413	-	5,455,413
136,036	-	136,036
3,994	-	3,994
680,388	-	680,388
1,022,547	-	1,022,547
1,302,365	-	1,302,365
8,486	1,671	10,157
-	382,500	382,500
(150,000)	150,000	-
<u>8,459,229</u>	<u>534,171</u>	<u>8,993,400</u>
<u>852,794</u>	<u>(324,310)</u>	<u>528,484</u>
5,264,772	12,218,588	17,483,360
240,256	-	240,256
<u>5,505,028</u>	<u>12,218,588</u>	<u>17,723,616</u>
<u>\$ 6,357,822</u>	<u>\$ 11,894,278</u>	<u>\$ 18,252,100</u>



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.

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, 2016

	General	Debt Service	Capital Improvement	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 4,150,975	\$ 294,571	\$ 603,802	\$ 1,110,458	\$ 6,159,806
Receivables, net:					
Accounts receivable	54,321	-	-	67,457	121,778
Intergovernmental	768,362	-	121,487	77,947	967,796
Due from other funds	1,214,944	-	-	-	1,214,944
Prepays	43,818	-	-	-	43,818
Restricted cash and investments	-	376	-	-	376
Total assets	\$ 6,232,420	\$ 294,947	\$ 725,289	\$ 1,255,862	\$ 8,508,518
LIABILITIES					
Accounts payable	\$ 480,911	\$ 420	\$ 41,641	\$ 77,608	\$ 600,580
Court bonds	1,369	-	-	-	1,369
Accrued wages and benefits	194,718	-	-	11,006	205,724
Accrued liabilities	121,881	-	-	713	122,594
Matured interest payable	-	165,820	-	-	165,820
Customer deposits	2,560	-	-	-	2,560
Due to other funds	-	-	-	109	109
Total liabilities	801,439	166,240	41,641	89,436	1,098,756
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - grants	-	-	-	57,438	57,438
Total deferred inflows of resources	-	-	-	57,438	57,438
FUND BALANCES					
Nonspendable					
Due from other funds	1,214,835	-	-	-	1,214,835
Prepaid items	43,818	-	-	-	43,818
Restricted					
Highways and streets	42,384	-	-	456,204	498,588
Capital improvements	-	-	-	566,191	566,191
Culture and recreation	-	-	-	40,385	40,385
Debt service	-	128,707	-	-	128,707
Public safety	47,992	-	-	46,099	94,091
Assigned					
Capital improvements	231,977	-	683,648	-	915,625
Unassigned	3,849,975	-	-	109	3,850,084
Total fund balances	5,430,981	128,707	683,648	1,108,988	7,352,324
Total liabilities fund balances	\$ 6,232,420	\$ 294,947	\$ 725,289	\$ 1,255,862	\$ 8,508,518

TOWN OF CHINO VALLEY, ARIZONA
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
June 30, 2016

Total governmental funds balances		\$ 7,352,324
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	\$ 26,013,903	
Accumulated depreciation	<u>(10,300,880)</u>	15,713,023
Grant revenues earned but not received within 60 days of year-end are deferred for the governmental statements, but are recognized as revenue for the government-wide statements.		
		57,438
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	(7,098,951)	
Capital leases payable	(401,035)	
Bonds payable	(10,626,000)	
Issuance discount	133,419	
Interest payable	(644)	
Compensated absences	<u>(444,170)</u>	(18,437,381)
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	604,925	
Deferred outflows of resources related to pensions	1,003,746	
Deferred outflows of employer contributions	578,213	
Deferred inflows of resources related to pensions	<u>(514,466)</u>	1,672,418
Total net position of governmental activities		<u>\$ 6,357,822</u>

TOWN OF CHINO VALLEY, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2016

	General	Debt Service	Capital Improvement	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 4,231,722	\$ -	\$ 1,359,727	\$ 3,994	\$ 5,595,443
Licenses, permits and fees	351,008	-	-	1,439	352,447
Intergovernmental revenues	3,166,952	-	628,263	1,111,485	4,906,700
Charges for services	122,960	-	-	-	122,960
Fines and forfeitures	247,977	-	-	-	247,977
Interest income	4,766	-	28	3,692	8,486
Other revenues	8,833	-	-	45,521	54,354
Total revenues	<u>8,134,218</u>	<u>-</u>	<u>1,988,018</u>	<u>1,166,131</u>	<u>11,288,367</u>
EXPENDITURES					
Current:					
General government	3,892,539	-	-	21,397	3,913,936
Public safety	2,638,663	-	-	88,928	2,727,591
Public works/streets	-	-	-	731,692	731,692
Culture and recreation	946,145	-	-	18,507	964,652
Health and welfare	245,517	-	-	156,907	402,424
Capital outlay	67,800	-	887,168	114,843	1,069,811
Debt service:					
Principal retirement	44,481	235,000	-	83,122	362,603
Interest and fiscal charges	-	504,370	-	-	504,370
Bond issuance cost	-	65,714	-	-	65,714
Total expenditures	<u>7,835,145</u>	<u>805,084</u>	<u>887,168</u>	<u>1,215,396</u>	<u>10,742,793</u>
Excess (deficiency) of revenues over (under) expenditures	<u>299,073</u>	<u>(805,084)</u>	<u>1,100,850</u>	<u>(49,265)</u>	<u>545,574</u>
OTHER FINANCING SOURCES (USES)					
Refunding bonds issued	-	3,346,000	-	-	3,346,000
Payment to refunded bond escrow agent	-	(3,598,313)	-	-	(3,598,313)
Sale of capital assets	1,815	-	-	4,745	6,560
Transfers in	250,000	737,000	28,749	79,418	1,095,167
Transfers out	(79,418)	-	(1,137,000)	(28,749)	(1,245,167)
Total other financing sources and (uses)	<u>172,397</u>	<u>484,687</u>	<u>(1,108,251)</u>	<u>55,414</u>	<u>(395,753)</u>
Net change in fund balances	<u>471,470</u>	<u>(320,397)</u>	<u>(7,401)</u>	<u>6,149</u>	<u>149,821</u>
Fund balances - beginning of year	4,654,954	614,924	589,530	1,102,839	6,962,247
Restatement	304,557	(165,820)	101,519	-	240,256
Fund balances - beginning of year, restated	<u>4,959,511</u>	<u>449,104</u>	<u>691,049</u>	<u>1,102,839</u>	<u>7,202,503</u>
Fund balances - end of year	<u>\$ 5,430,981</u>	<u>\$ 128,707</u>	<u>\$ 683,648</u>	<u>\$ 1,108,988</u>	<u>\$ 7,352,324</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, 2016

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

Net change in fund balances - total governmental funds		\$ 149,821
<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	961,600	
Depreciation expense	<u>(981,666)</u>	(20,066)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		57,438
<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	578,213	
Pension expense	<u>(807,345)</u>	(229,132)
Bond proceeds provide current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the Statement of Activities.		(3,346,000)
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.		3,738,431
<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	38,631	
Bond discounts	(8,608)	
Bond premiums	<u>111,760</u>	141,783
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.		(41,291)
Interest expense in the statement of activities differs from the amount reported in governmental funds because accrued interest was calculated for outstanding debt for the statement of activities, but is expensed when due for the governmental fund statements.		<u>401,810</u>
Change in net position of governmental activities		<u>\$ 852,794</u>

TOWN OF CHINO VALLEY, ARIZONA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
Year Ended June 30, 2016

REVENUES	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Taxes				
City sales tax	\$ 3,904,000	\$ 3,904,000	\$ 4,095,686	\$ 191,686
Franchise taxes	134,500	134,500	136,036	1,536
Total taxes	<u>4,038,500</u>	<u>4,038,500</u>	<u>4,231,722</u>	<u>193,222</u>
Licenses and permits	260,000	260,000	351,008	91,008
Intergovernmental:				
State shared sales tax	1,033,000	1,033,000	1,022,547	(10,453)
State shared income tax	1,302,000	1,302,000	1,302,365	365
Vehicle license tax	641,000	641,000	680,388	39,388
Grants	72,000	72,000	50,654	(21,346)
Other intergovernmental	141,500	141,500	110,998	(30,502)
Total intergovernmental	<u>3,189,500</u>	<u>3,189,500</u>	<u>3,166,952</u>	<u>(22,548)</u>
Charges for services	108,000	108,000	122,960	14,960
Fines and forfeitures	194,400	194,400	247,977	53,577
Interest	1,100	1,100	4,766	3,666
Other Revenues				
Donations	3,500	3,500	2,556	(944)
Charges for administrative services	1,000	1,000	1,529	529
Miscellaneous	500	500	4,748	4,248
Total other revenues	<u>5,000</u>	<u>5,000</u>	<u>8,833</u>	<u>3,833</u>
TOTAL REVENUES	<u><u>7,796,500</u></u>	<u><u>7,796,500</u></u>	<u><u>8,134,218</u></u>	<u><u>337,718</u></u>
EXPENDITURES				
General government				
Legal services	130,600	130,600	128,730	1,870
Town clerk	197,600	217,600	216,359	1,241
Town Manager	392,500	400,000	396,518	3,482
Human resources	195,300	195,300	190,663	4,637
Municipal court	270,400	270,400	263,433	6,967
Finance	329,200	336,700	333,611	3,089
Information systems	243,600	243,600	209,163	34,437
Mayor & council	33,000	33,000	26,617	6,383
Planning	186,300	186,300	178,862	7,438
Building inspection	277,100	277,100	264,576	12,524
Facilities maintenance	345,900	365,900	363,372	2,528
Fleet maintenance	341,000	341,000	220,783	120,217
Engineering	122,000	152,000	148,956	3,044
Contingencies	380,000	202,500	329,961	(127,461)
Court collection and improvements	30,000	30,000	30,876	(876)
Capital assets replacements	10,000	10,000	19,613	(9,613)
Nondepartmental	553,500	553,500	570,446	(16,946)
Total general government	<u>4,038,000</u>	<u>3,945,500</u>	<u>3,892,539</u>	<u>52,961</u>

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Public safety				
Police	2,650,300	2,650,300	2,521,646	128,654
Animal control	123,300	123,300	117,017	6,283
Total public safety	<u>2,773,600</u>	<u>2,773,600</u>	<u>2,638,663</u>	<u>134,937</u>
Culture and recreation				
Recreation	63,800	71,300	68,447	2,853
Library	309,600	314,600	312,892	1,708
Parks maintenance	305,200	380,200	358,120	22,080
Aquatics center	234,900	234,900	206,686	28,214
Total culture and recreation	<u>913,500</u>	<u>1,001,000</u>	<u>946,145</u>	<u>54,855</u>
Health and welfare				
Senior center	242,400	247,400	245,517	1,883
Capital outlay	69,000	69,000	67,800	1,200
Debt service:				
Principal retirement	43,500	43,500	44,481	(981)
Total debt service	<u>43,500</u>	<u>43,500</u>	<u>44,481</u>	<u>(981)</u>
TOTAL EXPENDITURES	<u>8,080,000</u>	<u>8,080,000</u>	<u>7,835,145</u>	<u>244,855</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(283,500)</u>	<u>(283,500)</u>	<u>299,073</u>	<u>582,573</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	1,815	1,815
Transfers in	338,500	338,500	250,000	(88,500)
Transfers out	(50,000)	(50,000)	(79,418)	(29,418)
Total other financing sources (uses)	<u>288,500</u>	<u>288,500</u>	<u>172,397</u>	<u>(116,103)</u>
Net change in fund balance	5,000	5,000	471,470	466,470
Fund balance - beginning of year - restated	4,959,511	4,959,511	4,959,511	-
Fund balance - end of year	<u>\$ 4,964,511</u>	<u>\$ 4,964,511</u>	<u>\$ 5,430,981</u>	<u>\$ 466,470</u>



Proprietary Fund Financial Statements

Enterprise Fund

Water Fund

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

Sewer Fund

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



TOWN OF CHINO VALLEY, ARIZONA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2016

	Business-type Activities-Enterprise Funds		
	Water	Sewer	Total
ASSETS			
Current assets			
Receivables (net of allowance)	\$ 80,243	\$ 108,225	\$ 188,468
Total current assets	80,243	108,225	188,468
Noncurrent assets			
Restricted cash and investments	-	482,116	482,116
Hookups receivable	-	272,428	272,428
Land	3,211,136	-	3,211,136
Construction-in-progress	-	25,320	25,320
Water rights	668,553	-	668,553
Buildings	6,433	-	6,433
Treatment facilities	-	9,791,955	9,791,955
Water distribution system	3,361,625	-	3,361,625
Sewer collection system	-	20,906,604	20,906,604
Machinery and equipment	205,844	379,724	585,568
Accumulated depreciation	(1,569,234)	(8,817,534)	(10,386,768)
Total noncurrent assets	5,884,357	23,040,613	28,924,970
Total assets	5,964,600	23,148,838	29,113,438
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions	29,630	29,630	59,260
Deferred outflows of employer contributions to pensions	13,366	15,335	28,701
Total deferred outflows of resources	42,996	44,965	87,961
LIABILITIES			
Current liabilities			
Accounts payable	15,961	19,569	35,530
Accrued wages and benefits	3,727	5,834	9,561
Accrued liabilities	7,747	-	7,747
Interest payable	12,356	142,941	155,297
Due to other funds	843,816	371,019	1,214,835
Customer deposits	27,650	39,031	66,681
Unearned revenue	-	3,131,557	3,131,557
Compensated absences	5,500	5,500	11,000
Capital leases - current portion	10,729	10,729	21,458
Loans payable - current portion	-	603,470	603,470
Bonds payable - current portion	45,000	-	45,000
Total current liabilities	972,486	4,329,650	5,302,136
Noncurrent liabilities			
Compensated absences	9,414	9,414	18,828
Developer agreement payable	420,733	-	420,733
Capital leases, net of current portion	24,911	24,911	49,822
Loans payable, net of current portion	-	10,431,091	10,431,091
Bonds payable, net of current portion	520,951	-	520,951
Net pension liability	259,757	259,757	519,514
Total noncurrent liabilities	1,235,766	10,725,173	11,960,939
Total liabilities	2,208,252	15,054,823	17,263,075
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	22,023	22,023	44,046
NET POSITION			
Net investment in capital assets	4,862,033	11,215,868	16,077,901
Restricted for debt service	-	482,116	482,116
Unrestricted	(1,084,712)	(3,581,027)	(4,665,739)
Total net position	\$ 3,777,321	\$ 8,116,957	\$ 11,894,278

TOWN OF CHINO VALLEY, ARIZONA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2016

	Business-type Activities-Enterprise Funds		
	Water	Sewer	Total
Operating revenues			
Charges for services	\$ 463,817	\$ 1,377,153	\$ 1,840,970
Other revenues	62,378	-	62,378
Total operating revenue	<u>526,195</u>	<u>1,377,153</u>	<u>1,903,348</u>
Operating expenses			
Salaries	118,930	146,498	265,428
Employee benefits	52,593	59,969	112,562
Service, supplies and other	114,763	264,365	379,128
Repairs and maintenance	27,598	241,172	268,770
Utilities	77,753	111,485	189,238
Legal and professional	52,025	80,402	132,427
Contract service	4,452	-	4,452
Training and travel	1,331	179	1,510
Office expenses	8,571	6,111	14,682
Dues and subscriptions	824	6,000	6,824
Depreciation	183,873	1,072,557	1,256,430
Miscellaneous	5,816	-	5,816
Total operating expenses	<u>648,529</u>	<u>1,988,738</u>	<u>2,637,267</u>
Operating income (loss)	<u>(122,334)</u>	<u>(611,585)</u>	<u>(733,919)</u>
Non-operating Revenues (Expenses)			
Interest income	-	1,671	1,671
Interest expense and fiscal charges	(24,713)	(306,084)	(330,797)
Miscellaneous nonoperating revenues	-	48,297	48,297
Total nonoperating revenue (expense)	<u>(24,713)</u>	<u>(256,116)</u>	<u>(280,829)</u>
Income (loss) before special items and transfers	(147,047)	(867,701)	(1,014,748)
Special items	-	382,500	382,500
Buy-in and connection fees	76,000	81,938	157,938
Transfers in	150,000	-	150,000
Change in net position	78,953	(403,263)	(324,310)
Net position, beginning of year	3,698,368	8,520,220	12,218,588
Total net position-end of year	<u>\$ 3,777,321</u>	<u>\$ 8,116,957</u>	<u>\$ 11,894,278</u>

TOWN OF CHINO VALLEY, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2016

	<u>Business-type Activities-Enterprise Funds</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers, service fees	\$ 461,076	\$ 1,448,934	\$ 1,910,010
Cash received from customers, others	62,378	-	62,378
Cash paid to suppliers	(291,054)	(742,915)	(1,033,969)
Cash paid to employees	(167,848)	(202,654)	(370,502)
Nonoperating receipts	-	48,297	48,297
	<u>64,552</u>	<u>551,662</u>	<u>616,214</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Interfund borrowing	(213,254)	(372,535)	(585,789)
Interfund transfers	150,000	-	150,000
	<u>(63,254)</u>	<u>(372,535)</u>	<u>(435,789)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	-	(157,820)	(157,820)
Proceeds from sale of capital assets	3,625	-	3,625
Capital debt proceeds	-	3,684,314	3,684,314
Principal paid on long term debt	(55,525)	(3,967,510)	(4,023,035)
Interest paid on long-term debt	(25,398)	(260,724)	(286,122)
Receipts from buy-in and connection fees	76,000	252,136	328,136
	<u>(1,298)</u>	<u>(449,604)</u>	<u>(450,902)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipts from investment earnings	-	1,671	1,671
	<u>-</u>	<u>1,671</u>	<u>1,671</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of year	-	750,922	750,922
Cash and cash equivalents at end of year	<u>\$ -</u>	<u>\$ 482,116</u>	<u>\$ 482,116</u>

TOWN OF CHINO VALLEY, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (CONTINUED)
Year Ended June 30, 2016

	Business-type Activities-Enterprise Funds		
	Water	Sewer	Total
Reconciliation of operating loss to net cash provided (used) by operating activities:			
Net operating loss	\$ (122,334)	\$ (611,585)	\$ (733,919)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:			
Depreciation/amortization expense	183,873	1,072,557	1,256,430
Pension expense	27,739	27,739	55,478
Employer pension contributions	(13,366)	(15,335)	(28,701)
Provision for bad debt	400	32,432	32,832
Nonoperating receipts	-	48,297	48,297
Changes in operating assets and liabilities (Increase)/decrease in:			
Accounts receivable	(4,316)	41,722	37,406
Increase/(decrease) in:			
Accounts payable	1,922	(33,201)	(31,279)
Accrued wages and benefits	(578)	1,529	951
Accrued liabilities	157	-	157
Customer deposits	1,175	5,677	6,852
Unearned revenue	-	(8,050)	(8,050)
Compensated absences	(10,120)	(10,120)	(20,240)
Net cash provided (used) by operating activities:	<u>\$ 64,552</u>	<u>\$ 551,662</u>	<u>\$ 616,214</u>
Noncash investing, capital, and financing activities:			
Special items - debt forgiveness	-	382,500	382,500
Amortization of bond premium	100	-	100

Notes to the Financial Statements



TOWN OF CHINO VALLEY, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

Individual Component Units – Blended

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

B. Basis of Presentation – Government-Wide Financial Statements

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

TOWN OF CHINO VALLEY, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

C. Basis of Presentation – Fund Financial Statements

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

The Town reports the following major governmental funds:

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

The 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.

TOWN OF CHINO VALLEY, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

D. Measurement Focus and Basis of Accounting

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

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

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

TOWN OF CHINO VALLEY, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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

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

E. Deposits and Investments

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

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

F. Receivables and Payables

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

TOWN OF CHINO VALLEY, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Inventories and Prepaid Items

Purchases of inventory items are recorded at the time of purchase as expenditures in the funds from which the purchases were made; and because the amounts on hand at June 30, 2016, 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.

H. Restricted Assets

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

I. Capital Assets

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

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

TOWN OF CHINO VALLEY, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Deferred Outflows/Inflows of Resources

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

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

K. Pensions

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

L. Net Position Flow Assumption

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

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

TOWN OF CHINO VALLEY, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Fund Balance Policies

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

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

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

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

N. Program Revenues

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

TOWN OF CHINO VALLEY, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Compensated Absences

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

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

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

Q. Use of Estimates

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

TOWN OF CHINO VALLEY, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. Budgets and Budgetary Accounting

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

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

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

TOWN OF CHINO VALLEY, ARIZONA
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. Budgets and Budgetary Accounting (Continued)

Supplementary budgetary appropriations were necessary during the year.

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

S. Expenditures over Appropriations

The Debt Service Fund and Street Light Improvement District Fund Schedules of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual report an excess of expenditures over appropriations for the year ended June 30, 2016.

T. Deficit Fund Balance

The Street Lighting Improvement District Fund had a deficit fund balance at June 30, 2016 of (\$425). This deficit will be financed through future revenues of the fund.

NOTE 2 CASH AND INVESTMENTS

The following table summarizes the Town's cash and investments at June 30, 2016:

	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	\$ 6,159,806	-	\$ 6,159,806
Restricted cash and cash equivalents	376	482,116	482,492
Total	<u>\$ 6,160,182</u>	<u>\$ 482,116</u>	<u>\$ 6,642,298</u>

Deposits

Cash in bank - At June 30, 2016, the Town had \$3,100 of cash on hand. The carrying amount of the Town's cash in bank totaled \$1,941,401 and the bank balance was \$2,008,281. Of the bank balance, \$287,867 was covered by federal depository insurance, and \$1,720,414 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, 2016, the Town had restricted cash and cash equivalents of \$482,492. Of this balance, \$482,116 was restricted in reserve funds for the loans payable to the Water Infrastructure Finance Authority of Arizona (WIFA) and \$376 was held in a money market with US Bank.

TOWN OF CHINO VALLEY, ARIZONA
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2016

NOTE 2 CASH AND INVESTMENTS (Continued)

Investments

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

The dollar weighted average portfolio maturity is 22 days for Pool 5 and 73 days for Pool 7. The net asset value per share of the pool at June 30, 2016 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, 2016, the Town's funds invested with the State Treasurer totaled \$4,215,307.

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

Interest Rate Risk

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

<u>Investment Type</u>	<u>Remaining Maturity 12 Months or Less</u>
Primary Government	
Money Market	376
LGIP	<u>4,215,307</u>
Total	<u>\$ 4,215,683</u>

TOWN OF CHINO VALLEY, ARIZONA
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2016

NOTE 2 CASH AND INVESTMENTS (Continued)

Credit Risk

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

Investment Type	Total	Ratings		
		AAAF/S1+	AAA	Unrated
Primary Government				
Money Market	\$ 376	\$ -	\$ -	\$ 376
LGIP	4,215,307	607,929	-	3,607,378
Total	<u>\$ 4,215,683</u>	<u>\$ 607,929</u>	<u>\$ -</u>	<u>\$ 3,607,754</u>

NOTE 3 RECEIVABLES

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

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

	Water Fund	Sewer Fund	Total Enterprise
Receivables:			
Service billings receivable	87,243	158,225	245,468
Less: Allowance for doubtful accounts	(7,000)	(50,000)	(57,000)
Net Receivables	<u>\$ 80,243</u>	<u>\$ 108,225</u>	<u>\$ 188,468</u>

Hookups receivable of \$272,428 reported in the proprietary funds are for amounts receivable from customers for hookup fees that are paid over a ten year period.

TOWN OF CHINO VALLEY, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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	499,001	857,052	(1,255,790)	100,263
Total capital assets not being depreciated	2,917,868	857,052	(1,255,790)	2,519,130
Capital assets, being depreciated:				
Buildings	10,417,031	43,928	-	10,460,959
Improvements other than buildings	1,348,762	15,606	-	1,364,368
Vehicles, furniture and equipment	4,444,521	27,445	(123,747)	4,348,219
Infrastructure	6,047,868	1,273,359	-	7,321,227
Total capital assets being depreciated	22,258,182	1,360,338	(123,747)	23,494,773
Less accumulated depreciation for:				
Buildings	(4,350,177)	(391,189)	-	(4,741,366)
Improvements other than buildings	(756,037)	(60,636)	-	(816,673)
Vehicles, furniture and equipment	(3,106,353)	(268,967)	123,747	(3,251,573)
Infrastructure	(1,230,394)	(260,874)	-	(1,491,268)
Total accumulated depreciation	(9,442,961)	(981,666)	123,747	(10,300,880)
Total capital assets, being depreciated, net	12,815,221	378,672	-	13,193,893
Governmental activities capital assets, net	\$ 15,733,089	\$ 1,235,724	\$ (1,255,790)	\$ 15,713,023

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

Governmental activities:	
General government	\$ 131,326
Public safety	138,472
Highway and streets	343,510
Culture and recreation	365,159
Health and Welfare	3,199
Total depreciation expense	\$ 981,666

TOWN OF CHINO VALLEY, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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	-	25,320	-	\$ 25,320
Water rights	668,553	-	-	668,553
Total capital assets not being depreciated	3,879,689	25,320	-	3,905,009
Capital assets, being depreciated:				
Buildings	6,433	-	-	6,433
Treatment facilities	9,659,455	132,500	-	9,791,955
Water distribution system	3,378,356	-	(16,731)	3,361,625
Sewer collection system	20,906,604	-	-	20,906,604
Machinery, equipment & vehicles	585,568	-	-	585,568
Total capital assets being depreciated	34,536,416	132,500	(16,731)	34,652,185
Less accumulated depreciation for:				
Buildings	(6,433)	-	-	(6,433)
Treatment facilities	(1,950,651)	(194,501)	-	(2,145,152)
Water distribution system	(1,265,507)	(169,902)	13,105	(1,422,304)
Sewer collection system	(5,720,307)	(835,722)	-	(6,556,029)
Machinery, equipment & vehicles	(200,545)	(56,305)	-	(256,850)
Total accumulated depreciation	(9,143,443)	(1,256,430)	13,105	(10,386,768)
Total capital assets, being depreciated, net	25,392,973	(1,123,930)	(3,626)	24,265,417
Business-Type activities capital assets, net	\$ 29,272,662	\$ (1,098,610)	\$ (3,626)	\$ 28,170,426

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

Business-type activities	
Water	\$ 183,873
Sewer	1,072,557
Total depreciation expense	\$ 1,256,430

NOTE 5 LONG-TERM DEBT

The following is a summary of changes in long-term obligations for the year ended June 30, 2016:

TOWN OF CHINO VALLEY, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE 5 LONG-TERM DEBT (Continued)

	Balance 6/30/15	Additions	Retirements	Balance 6/30/16	Due Within One Year
Governmental Activities:					
Bonds payable					
Revenue bond series 2016	\$ -	\$ 3,346,000	\$ -	\$ 3,346,000	\$ -
Revenue bond series 2010	7,280,000	-	-	7,280,000	-
Discount on bonds	(142,027)	-	8,608	(133,419)	-
Total bonds payable	7,137,973	3,346,000	8,608	10,492,581	-
Loans payable					
GADA 2007 series	3,620,000	-	(3,620,000)	-	-
Premium on GADA loan	111,760	-	(111,760)	-	-
Total loans payable	3,731,760	-	(3,731,760)	-	-
Capital leases payable					
Equipment lease	519,466	-	(118,431)	401,035	120,734
Total leases payable	519,466	-	(118,431)	401,035	120,734
Compensated absences	402,879	407,732	(366,441)	444,170	250,000
Net pension liability	6,462,973	635,978	-	7,098,951	-
Total other long term debt	6,865,852	1,043,710	(366,441)	7,543,121	250,000
Total Governmental Activities	\$ 18,255,051	\$ 4,389,710	\$ (4,208,024)	\$ 18,436,737	\$ 370,734
Business-type Activities:					
Bonds payable					
Revenue bond series 2010	\$ 610,000	\$ -	\$ (45,000)	\$ 565,000	\$ 45,000
Premium on bonds	1,051	-	(100)	951	-
Total bonds payable	611,051	-	(45,100)	565,951	45,000
Loans payable					
USDA					
Series 2007	1,372,410	-	(1,372,410)	-	-
Series 2008-1	1,339,532	-	(1,339,532)	-	-
Series 2008-2	1,185,665	-	(1,185,665)	-	-
WIFA					
Series 2007	1,090,289	-	(77,886)	1,012,403	80,034
Series 2008	3,738,165	-	(242,138)	3,496,027	248,952
Series 2014	2,963,671	-	(121,854)	2,841,817	124,303
Series 2016	-	3,684,314	-	3,684,314	150,181
Total loans payable	11,689,732	3,684,314	(4,339,485)	11,034,561	603,470
Capital leases payable					
Equipment lease	92,330	-	(21,050)	71,280	21,458
Total leases payable	92,330	-	(21,050)	71,280	21,458
Compensated absences	50,068	24,946	(45,186)	29,828	11,000
Developer agreement payable	420,733	-	-	420,733	-
Net pension liability	465,408	54,106	-	519,514	-
Total other long term debt	936,209	79,052	(45,186)	970,075	11,000
Total Business-type Activities	\$ 13,329,322	\$ 3,763,366	\$ (4,450,821)	\$ 12,641,867	\$ 680,928
Total long-term liabilities	\$ 31,584,373	\$ 8,153,076	\$ (8,658,845)	\$ 31,078,604	\$ 1,051,662

TOWN OF CHINO VALLEY, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE 5 LONG-TERM DEBT (Continued)

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

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

Fiscal year ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2017	\$ -	\$ 367,365	\$ 628,185	\$ 268,596
2018	309,000	387,750	647,941	291,398
2019	470,000	383,975	663,077	274,076
2020	525,000	374,007	678,602	256,202
2021	606,000	361,476	699,527	237,768
2022 - 2026	3,434,000	1,530,402	3,791,245	780,333
2027 - 2031	4,292,000	855,252	2,419,052	346,036
2032 - 2036	990,000	47,025	1,654,163	131,205
2037 - 2038	-	-	417,769	17,046
Total	<u>\$ 10,626,000</u>	<u>\$ 4,307,252</u>	<u>\$ 11,599,561</u>	<u>\$ 2,602,660</u>

The following is a listing of bonds payable outstanding as of June 30, 2016:

	Balance 6/30/16	Due Within One Year
Bonds payable:		
Governmental Activities:		
Excise Tax Revenue Bonds, Series 2016, due in annual principal and semi-annual interest installments ranging from \$309,000 to \$362,000 bearing interest at 2.758%, maturing July 2026.	\$ 3,346,000	\$ -
MPC Revenue Bonds, Series 2010, due in annual principal and semi-annual interest installments ranging from \$150,000 to \$990,000 bearing interest at 4.00% to 4.75%, maturing August 2031.	7,280,000	-
Business-type Activities:		
MPC Revenue Bonds, Series 2010, due in annual principal and semi-annual interest installments ranging from \$45,000 to \$70,000 bearing interest at 2.50% to 5.00%, maturing August 2031.	565,000	45,000
Total bonds payable	<u>\$ 11,191,000</u>	<u>\$ 45,000</u>

TOWN OF CHINO VALLEY, ARIZONA
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2016

NOTE 5 LONG-TERM DEBT (Continued)

On May 19, 2016, the Town issued \$3,346,000 of pledged revenue refunding obligation bonds, with an interest rate 2.758%, to do an advanced refunding of the Greater Arizona Development Authority (GADA) Excise Tax Revenue Bonds, Series 2007A. Under the terms of the refunding issue, sufficient assets to pay \$3,619,009 of the 2007A principal and interest on the refunding bonds issues have been placed in irrevocable trust accounts at commercial banks and invested in U.S. Government Securities, which together with interest earned thereon, will provide amounts sufficient for future payments of principal and interest of the issue refunded. There was \$3,385,000 outstanding with the trustee on these bonds as of June 30, 2016. \$3,385,000 of these bonds have been fully defeased. The last call date on the refunded bonds is July 1, 2017. The transaction resulted in an economic gain (difference between the present value of the debt service on the old and the new bonds) of approximately \$301,198. The \$101,553 deferred amount on refunding of bonds is being amortized over the shorter of the lives for the refunded or refunding bonds on the straight-line basis.

The following is a listing of loans payable outstanding as of June 30, 2016:

Loans payable:	Balance 6/30/16	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.	\$ 1,012,403	\$ 80,034
Water Infrastructure Finance Authority of Arizona (WIFA) loan, due in semi-annual variable principal and interest installments, bearing interest at 2.814%, maturing July 1, 2027.	3,496,027	248,952
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.	2,841,817	124,303
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.	<u>3,684,314</u>	<u>150,181</u>
Total business-type activities:	<u>11,034,561</u>	<u>603,470</u>
Total loans payable	<u><u>\$ 11,034,561</u></u>	<u><u>\$ 603,470</u></u>

On November 23, 2015, the Town issued a \$3,925,000 Water Infrastructure Finance Authority Loan (WIFA), with an interest rate of 2.344%, to do a current refunding of the United States Department of Agriculture (USDA) Rural Development series 2007, series 2008-1 and 2008-2 loans. Under the terms of the refunding loan, \$1,372,410 of the series 2007, \$1,339,531 of the series 2008-1 and \$1,185,665 of the series 2008-2 USDA loan principal was fully refunded.

TOWN OF CHINO VALLEY, ARIZONA
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2016

NOTE 5 LONG-TERM DEBT (Continued)

Developer agreements payable outstanding as of June 30, 2016:

	Balance 6/30/16	Due Within One Year
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 lease - The Town entered into a lease agreement for capital purchases of \$714,963. Such agreements are, in substance, purchases (capital leases) and are reported as capital lease obligations. The lease is payable in annual installments of \$150,283 including interest at 1.93%. The following schedule presents future minimum lease payments as of June 30, 2016.

Year Ending, June 30	Governmental Activities	Business-type Activities
2017	\$ 127,603	\$ 22,680
2018	127,603	22,680
2019	127,603	22,680
2020	31,902	5,670
Total requirements	414,711	73,710
Less interest	13,676	2,430
Present value of remaining payments	<u>\$ 401,035</u>	<u>\$ 71,280</u>

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

	Activities	Activities
Asset		
Vehicles	\$ 607,390	\$ 107,957
Subtotal		
Less accumulated depreciation	(181,305)	(21,580)
Net	<u>\$ 426,085</u>	<u>\$ 86,377</u>

NOTE 6 SPECIAL ITEMS

The Town recognized a special item gain on debt forgiveness of \$382,500 related to forgivable debt for the 2016 WIFA loan issued on November 23, 2015 disclosed in Note 5.

TOWN OF CHINO VALLEY, ARIZONA
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2016

NOTE 7 PLEDGED REVENUES

The Town has pledged a portion of the future excise taxes and state shared revenues to repay \$3.3 million in MPC Revenue Bonds issued in 2016 and to repay \$7.28 million in MPC Revenue Bonds issued in 2010. The 2016 MPC bonds were used to refinance the remaining portion of a 2007 GADA loan. The 2010 MPC bonds were used to refund the remaining portion of the MPC 2004 Revenue Bonds. The bonds are payable from excise taxes and state shared revenues of the Town. Annual principal and interest payments on the bonds are estimated to require 10% of excise tax and state shared revenues. Total principal and interest remaining on the 2016 bonds are \$3,719,389 payable through July 2026. The principal and interest remaining on the 2010 bonds are \$10,879,225 payable through August 2031. For the current year, no principal or interest was paid on the 2016 bonds and the interest paid on the 2010 bonds was \$331,638. Total excise taxes and state shared revenues were \$8,596,749.

The Town has pledged a portion of future sewer system customer revenues, net of specified operating expenses, and future excise taxes and state shared revenues to repay \$9.4 million in WIFA loans issued in 2007, 2008, 2014 and 2016. Proceeds from the loans provided financing for development of the Town's sewer system. The loans are payable from sewer system customer net revenues and excise taxes and state shared revenues. The WIFA loans are payable through July 2026, 2027, 2034 and 2037. Annual principal and interest payments on the loans are estimated to require 7% of total net sewer system, excise taxes and state shared revenues. The total principal and interest remaining to be paid on the WIFA loans is \$13,416,376. For the current year, principal and interest paid was \$847,353, sewer system customer net revenues were \$1,377,153, and excise taxes and state shared revenues were \$8,596,749.

NOTE 8 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

As of June 30, 2016, interfund receivables and payables that resulted from various interfund transactions were as follows:

Fund	Receivable Amount	Payable Amount
General Fund	\$ 1,214,944	\$ -
Non-Major Governmental Funds	-	109
Water Fund	-	843,816
Sewer Fund	-	371,019
Total	\$ 1,214,944	\$ 1,214,944

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

TOWN OF CHINO VALLEY, ARIZONA
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2016

NOTE 8 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (Continued)

Interfund transfers for the fiscal year ended June 30, 2016 are as follows:

Fund	Transfers Out	Transfers In
General Fund	\$ 79,418	\$ 250,000
Debt Service	-	737,000
Capital Improvements	1,137,000	28,749
Non-Major Governmental Funds	28,749	79,418
Water Fund	-	150,000
Total	\$ 1,245,167	\$ 1,245,167

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

NOTE 9 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

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

At June 30, 2016, 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	\$ 7,098,951	\$ 519,514	\$ 7,618,465
Deferred outflows of resources	1,581,959	87,961	1,669,920
Deferred inflows of resources	514,466	44,046	558,512
Pension expense	807,345	55,477	862,822

The Town reported \$578,213 of pension contributions as expenditures in the governmental funds related to all pension plans to which it contributes.

A. Arizona State Retirement System

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

TOWN OF CHINO VALLEY, ARIZONA
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2016

NOTE 9 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

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

*with actuarially reduced benefits.

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

TOWN OF CHINO VALLEY, ARIZONA
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2016

NOTE 9 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Contributions - In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2016, statute required active ASRS members to contribute at the actuarially determined rate of 11.47 percent (11.35 percent for retirement and 0.12 percent for long-term disability) of the members' annual covered payroll, and statute requires the Town to contribute at the actuarially determined rate of 11.47 percent (10.85 percent for retirement, 0.50 percent for health insurance premium benefit, and 0.12 percent for long-term disability) of the active members' annual covered payroll. The Town's contributions to the pension plan for the year ended June 30, 2016 were \$336,150. The Town's contributions for the current and 2 preceding years for OPEB, all of which were equal to the required contributions, were as follows:

ASRS	Health Benefit Supplement Fund	Long-Term Disability Fund
Year ended June 30		
2016	\$ 15,491	\$ 3,718
2015	17,699	3,540
2014	14,352	5,741

During fiscal year 2016, the Town paid for ASRS pension and OPEB contributions as follows: 77 percent from the General Fund, 4 percent from the water fund, 4.5 percent from the sewer fund and 14.5 percent from other non-major funds.

Pension Liability - At June 30, 2016, the Town reported a liability of \$4,997,476 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2015. 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, 2014, to the measurement date of June 30, 2015. 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, 2015. The Town's proportion measured as of June 30, 2015, was 0.032084 percent, which was an increase of 0.001839% from its proportion measured as of June 30, 2014.

The Town's reported liability at June 30, 2016, increased by \$522,393 from the Town's prior year liability of \$4,475,083 because of changes in the ASRS' net pension liability and the Town's proportionate share of that liability. The ASRS' publicly available financial report provides details on the change in the net pension liability.

TOWN OF CHINO VALLEY, ARIZONA
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2016

NOTE 9 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Pension Expense and Deferred Outflows/Inflows of Resources - For the year ended June 30, 2016, the Town recognized pension expense for ASRS of \$535,653. At June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

ASRS	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ 136,370	\$ 261,873
Net difference between projected and actual earnings on pension plan investments	-	160,158
Changes in proportion and differences between Town contributions and proportionate share of contributions	433,224	-
Town contributions subsequent to the measurement date	<u>336,150</u>	<u>-</u>
Total	<u>\$ 905,744</u>	<u>\$ 422,031</u>

The \$336,150 reported as deferred outflows of resources related to ASRS pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

Year ending June 30	
2017	\$ 161,119
2018	(32,526)
2019	(96,643)
2020	115,613
Thereafter	-

TOWN OF CHINO VALLEY, ARIZONA
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2016

NOTE 9 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

ASRS	
Actuarial valuation date	June 30, 2014
Actuarial roll forward date	June 20, 2015
Actuarial cost method	Entry age normal
Investment rate of return	8%
Projected salary increases	3 - 6.75%
Inflation	3%
Permanent benefit increase	Included
Mortality rates	1994 GAM Scale BB

Actuarial assumptions used in the June 30, 2014, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2012.

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

Asset Class	Target Allocation	Long-term expected arithmetic real rate of return
Equity	58%	6.79%
Fixed Income	25%	3.70%
Real estate	10%	4.25%
Multi-asset	5%	3.41%
Commodities	2%	3.93%
Total	100%	

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

NOTE 9 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Sensitivity of Town’s Proportionate Share of the ASRS Net Pension Liability to Changes in the Discount Rate - The following table presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the Town’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7 percent) or 1 percentage point higher (9 percent) than the current rate:

ASRS	1% Decrease (7%)	Current Discount Rate (8%)	1% increase (9%)
Town's proportionate share of the net pension liability	\$ 6,548,402	\$ 4,997,476	\$ 3,934,584

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

B. Public Safety Personnel Retirement System

Plan Description – Town police department employees who are regularly assigned hazardous duty participate in the Public Safety Personnel Retirement System (PSPRS). The PSPRS administers an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium benefit (OPEB) plan (agent plans). A seven-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

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

TOWN OF CHINO VALLEY, ARIZONA
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2016

NOTE 9 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

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

TOWN OF CHINO VALLEY, ARIZONA
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2016

NOTE 9 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on excess investment earning. In addition, from and after December 31, 2015, the Legislature may enact permanent one-time benefit increases after a Joint Legislative Budget Committee analysis of the increase's effects on the plan. PSPRS also provides temporary disability benefits of 50 percent of the member's compensation for up to 12 months.

Employees Covered by Benefit Terms - At June 30, 2016, the following employees were covered by the agent pension plans' benefit terms:

	<u>PSPRS Police</u>
Inactive employees or beneficiaries	
currently receiving benefits	8
Inactive employees entitled to	
by not yet receiving benefits	5
Active employees	<u>21</u>
Total	<u><u>34</u></u>

Contributions and Annual OPEB Cost - State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contribution rates for the year ended June 30, 2016, are indicated below. Rates are a percentage of active members' annual covered payroll.

	<u>PSPRS Police</u>
Active members - Pension	11.65%
Town	
Pension	26.43%
Health insurance permium benefit	0.11%

In addition, statute required the Town to contribute at the actuarially determined rate of 28.62 percent for the PSPRS of annual covered payroll of retired members who worked for the Town in positions that an employee who contributes to the PSPRS would typically fill.

TOWN OF CHINO VALLEY, ARIZONA
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2016

NOTE 9 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

For the agent plans, the Town's contributions to the pension plan and annual OPEB cost and contributions for the health insurance premium benefit for the year ended June 30, 2016, were:

Pension	PSPRS
Contributions made	<u>Police</u>
	\$ 270,764
Health Insurance Permium Benefit	
Annual OPEB cost contributions made	1,127

During fiscal year 2016, the Town paid 100 percent of the PSPRS pension and OPEB contributions from the General Fund.

Pension Liability - At June 30, 2016, the Town reported a PSPRS net pension liabilities of \$2,620,989.

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability as of June 30, 2015, reflect the following changes of benefit terms and actuarial assumptions.

- In May 2016 voters approved Proposition 124 that authorized certain statutory adjustments to PSPRS' automatic cost-of-living adjustments. The statutory adjustments change the basis for future cost-of-living adjustments from excess investment earnings to the change in the consumer price index, limited to a maximum annual increase of 2 percent. The change in the County's net pension liability as a result of the statutory adjustments is not known.

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

PSPRS	
Actuarial valuation date	June 30, 2015
Actuarial cost method	Entry age normal
Investment rate of return	7.85%
Projected salary increases	4.0% - 8.0%
Inflation	4.00%
Permanent benefit increase	Included
Mortality rates	RP-2000 mortality table (adjusted by 105% for both males and females)

TOWN OF CHINO VALLEY, ARIZONA
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2016

NOTE 9 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2011.

The long-term expected rate of return on PSPRS pension plan investments was determined to be 7.85 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

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

Pension Discount Rates – The discount rate used to measure the PSPRS total pension liability was 7.85 percent. The projection of cash flows used to determine the PSPRS discount rates assumed that plan members contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF CHINO VALLEY, ARIZONA
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2016

NOTE 9 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Changes in the Net Pension Liability

PSPRS - Police	Increase (Decrease)		
	Total Pension Liability (a)	Plan	
		Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2015	\$ 6,601,880	\$ 4,148,581	\$ 2,453,299
Changes for the year:			
Service Cost	208,414		208,414
Interest on the total pension liability	508,300		508,300
Changes of benefit terms	-		-
Differences between expected and actual experience in the measurement of the pension liability	(13,006)		(13,006)
Changes of assumptions or other inputs	-		-
Contributions - employer		243,794	(243,794)
Contributions - employee		143,622	(143,622)
Net investment income		149,207	(149,207)
Benefit payments, including refunds of employee contributions	(461,853)	(461,853)	-
Administrative expense		(4,019)	4,019
Other changes		3,414	(3,414)
Net changes	241,855	74,165	167,690
Balances at June 30, 2016	\$ 6,843,735	\$ 4,222,746	\$ 2,620,989

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 7.85 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 (6.85 percent) or 1 percentage point higher (8.85 percent) than the current rate:

PSPRS - Police	Current		
	1% Decrease (6.85%)	Discount Rate (7.85%)	1% increase (8.85%)
Total pension liability	\$ 7,666,835	\$ 6,843,735	\$ 6,157,315
Plan fiduciary net position	4,222,746	4,222,746	4,222,746
Net pension liability	\$ 3,444,089	\$ 2,620,989	\$ 1,934,569

TOWN OF CHINO VALLEY, ARIZONA
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2016

NOTE 9 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

Pension Expense - For the year ended June 30, 2016, the Town recognized \$327,169 of PSPRS pension expense.

Pension Deferred Outflows/Inflows of Resources - At June 30, 2016, 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	\$ 10,530	\$ 10,890
Changes of assumptions or other inputs	344,073	-
Net difference between projected and actual earnings on pension plan investments	138,809	125,591
Town contributions subsequent to the measurement date	<u>270,764</u>	<u>-</u>
Total	<u>\$ 764,176</u>	<u>\$ 136,481</u>

The amounts reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30,	PSPRS Police
2017	\$ 75,978
2018	75,978
2019	75,976
2020	117,842
2021	11,467
Thereafter	(310)

TOWN OF CHINO VALLEY, ARIZONA
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2016

NOTE 9 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Agent plan OPEB actuarial assumptions - The health insurance premium benefit contribution requirements for the year ended June 30, 2016, were established by the June 30, 2014, actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions.

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

Projections of benefits are based on (1) the plans as the Town and plans' members understand them and include the types of benefits in force at the valuation date, and (2) the pattern of sharing benefit costs between the Town and plans' members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The significant actuarial methods and assumptions used are the same for all PSPRS plans and related benefits (unless noted), and the following actuarial methods and assumptions were used to establish the fiscal year 2016 contribution requirements:

PSPRS - OPEB Contribution Requirements

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

TOWN OF CHINO VALLEY, ARIZONA
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2016

NOTE 9 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

PSPRS - Police	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Obligation
Year Ended June 30	Cost	Contributed	Obligation
2016	\$ 1,127	100%	\$ -
2015	17,739	100%	-
2014	16,991	100%	-

Agent plan OPEB funded status - The health insurance premium benefit plans' funded status as of the most recent valuation date, June 30, 2015, along with the actuarial assumptions and methods used in those valuations follow:

	PSPRS Police
Actuarial value of assets (a)	\$ 241,300
Actuarial accrued liability (b)	198,982
Unfunded actuarial accrued liability (funded excess) (b) - (a)	(42,318)
Funded ratio (a)/(b)	121.27%
Annual covered payroll (c)	\$ 1,177,679
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll (b) - (a) / (c)	0.00%

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

PSPRS - OPEB Funded Status	
Actuarial valuation date	June 30, 2015
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	21 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4% - 8% for PSPRS
includes inflation at	4% for PSPRS

TOWN OF CHINO VALLEY, ARIZONA
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2016

NOTE 10 RISK MANAGEMENT

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

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

NOTE 11 CONTINGENT LIABILITIES AND COMMITMENTS

The Town is contingently liable with respect to lawsuits and other claims incidental to the ordinary course of its operations. In the opinion of Town management, based on the advice of the Town Attorney with respect to such litigation, such matters will not have a material adverse effect on the Town's financial position at June 30, 2016.

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

The Town has entered into agreements whereby it will reimburse developers a portion of sales tax collected on their sites for up to ten years or a maximum dollar amount. The funding source for the reimbursements will come from the sales taxes collected on the sites over the term of the agreements. The Town does not become liable under the agreement until the developer has collected and remitted the sales taxes to the Town. At June 30, 2016, the Town's estimated liability is \$279,934 under such agreements.

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

Project	Spent to Date	Remaining Commitment
EDA Old Home Manor	15,268	250,000
Road 1 East & 3 South	55,561	500,000
Chino Valley Skate Park	29,434	75,000
Total	\$ 100,263	\$ 825,000

TOWN OF CHINO VALLEY, ARIZONA
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2016

NOTE 12 RESTATEMENT

Net position and fund balances as of July 1, 2015 have been restated as follows due to a correction of an error. The Town had discovered an incorrect number of payments accrued for collection of Town sales taxes had been recognized in the wrong fiscal years. As a result, the effect on fiscal year 2016 is as follows:

	<u>Governmental Activities</u>	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Improvement Fund</u>
Net Position/Fund Balance as previously reported at June 30, 2015	\$ 5,264,772	\$ 4,654,954	\$ 614,924	\$ 589,530
Restatement - Correction of an error	<u>240,256</u>	<u>304,557</u>	<u>(165,820)</u>	<u>101,519</u>
Net Position/Fund Balance as restated, July 1, 2015	<u>\$ 5,505,028</u>	<u>\$ 4,959,511</u>	<u>\$ 449,104</u>	<u>\$ 691,049</u>

NOTE 13 SUBSEQUENT EVENTS

On October 26, 2016, the Board of Directors of the Water Infrastructure Finance Authority (WIFA) approved Loan Resolution No. 2017-003 authorizing WIFA staff to execute up to a \$640,000.00 construction loan agreement with the Town of Chino Valley. The Board also approved \$312,500.00 in forgivable principal and a 21 year loan term at an interest rate of 3.2%. On November 8, 2016, Town Council approved the issuance of the \$640,000 construction loan with WIFA.



Required Supplementary Information



TOWN OF CHINO VALLEY, ARIZONA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 COST-SHARING PENSION PLAN
 June 30, 2016

Arizona Retirement System

	Reporting Fiscal Year (Measurement Date)		
	2016 (2015)	2015 (2014)	2014 through 2006
Town's proportion of the net pension liability	0.032084%	0.030244%	Information not available
Town's proportionate share of the net pension liability	\$ 4,997,476	\$ 4,475,083	
Town's covered payroll	2,678,714	2,280,897	
Town's proportionate share of the net pension liability as a percentage of its covered payroll	186.56%	196.20%	
Plan fiduciary net position as a percentage of the total pension liability	68.35%	69.49%	

TOWN OF CHINO VALLEY, ARIZONA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGES IN THE TOWN'S NET PENSION LIABILITY AND RELATED RATIOS
 AGENT PENSION PLAN
 June 30, 2016

Chino Valley Police Dept.
 Public Safety Personnel Retirement System

	Reporting Fiscal Year (Measurement Date)		
	2016 (2015)	2015 (2014)	2014 through 2006
Total pension liability			
Service cost	\$ 208,414	\$ 218,803	Information not available
Interest on the total pension liability	508,300	443,158	
Changes on benefit terms	-	63,139	
Differences between expected and actual experience in the measurement of the pension liability	(13,006)	15,592	
Changes of assumptions or other inputs	-	509,521	
Benefit payments, including refunds of employee contributions	(461,853)	(368,517)	
Net change in total pension liability	241,855	881,696	
Total pension liability - beginning	6,601,880	5,720,184	
Total pension liability - ending (a)	<u>\$ 6,843,735</u>	<u>\$ 6,601,880</u>	
Plan fiduciary net position			
Contributions - employer	\$ 243,794	\$ 208,691	
Contributions - employee	143,622	126,689	
Net investment income	149,207	498,013	
Benefit payments, including refunds of employee contributions	(461,853)	(368,517)	
Administrative expense	(4,019)	(4,043)	
Other changes	3,414	(120,050)	
Net change in plan fiduciary net position	74,165	340,783	
Plan fiduciary net position - beginning	4,148,581	3,807,798	
Plan fiduciary net position - ending (b)	<u>\$ 4,222,746</u>	<u>\$ 4,148,581</u>	
Town's net pension liability - ending (a) - (b)	<u>\$ 2,620,989</u>	<u>\$ 2,453,299</u>	

TOWN OF CHINO VALLEY, ARIZONA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGES IN THE TOWN'S NET PENSION LIABILITY AND RELATED RATIOS
 AGENT PENSION PLAN (CONTINUED)
 June 30, 2016

Chino Valley Police Dept. Public Safety Personnel Retirement System	Reporting Fiscal Year (Measurement Date)		
	2016 (2015)	2015 (2014)	2014 through 2006
Plan fiduciary net position as a percentage of the total pension liability	61.70%	62.84%	Information not available
Covered payroll	\$ 1,091,480	\$ 971,919	
Town's net pension liability as a percentage of covered payroll	240.13%	252.42%	

TOWN OF CHINO VALLEY, ARIZONA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF TOWN PENSION CONTRIBUTIONS
 June 30, 2016

Arizona Retirement System	Reporting Fiscal Year			2013 through 2006
	2016	2015	2014	
Statutorily required contribution	\$ 321,808	\$ 291,712	\$ 244,056	Information not available
Town's contributions in relation to the statutorily required contribution	<u>321,808</u>	<u>291,712</u>	<u>244,056</u>	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered payroll	\$ 2,965,972	\$ 2,678,714	\$ 2,280,897	
Town's contributions as a percentage of covered payroll	10.85%	10.89%	10.70%	

Chino Valley Police Dept. Public Safety Personnel Retirement System	Reporting Fiscal Year			2013 through 2006
	2016	2015	2014	
Actuarially determined contribution	\$ 243,794	\$ 208,691	\$ 173,196	Information not available
Town's contributions in relation to the actuarially determined contribution	<u>243,794</u>	<u>208,691</u>	<u>173,196</u>	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered payroll	\$ 922,414	\$ 1,091,480	\$ 971,919	
Town's contributions as a percentage of covered payroll	26.43%	19.12%	17.82%	

TOWN OF CHINO VALLEY, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO PENSION PLAN SCHEDULES
June 30, 2016

NOTE 1 CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2016, the Town implemented the provisions of GASB Statement No. 82, Pension Issues. The statement changed the measure of payroll that is required to be presented in required supplementary information from covered-employee payroll to covered payroll. Accordingly, payroll amounts presented in the pension plan schedules and related ratios for prior periods have been restated.

TOWN OF CHINO VALLEY, ARIZONA
 REQUIRED SUPPLEMENTARY INFORMATION
 NOTES TO PENSION PLAN SCHEDULES
 June 30, 2016

NOTE 2 ACTUARIALLY DETERMINED CONTRIBUTION RATES

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

Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period as of the 2014 actuarial valuation	22 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 80%/120% market
Actuarial assumptions: Investment rate of return	In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%
Projected salary increases	In the 2014 actuarial valuation, projected salary increases were decreased from 4.5% to 8.5% to 4.0% to 8.0% for PSPRS. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0% to 9.0% to 4.5% to 8.5% for PSPRS.
Wage growth	In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0% for PSPRS. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5% for PSPRS.
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011.
Mortality	RP-2000 mortality table (adjusted by 105% for both males and females)

NOTE 3 FACTORS THAT AFFECT TRENDS

Changes include adjustments for prior year GASB 68 and reserve transfer to/from employer and employee reserves.

TOWN OF CHINO VALLEY, ARIZONA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF AGENT OPEB PLANS' FUNDING PROGRESS
 June 30, 2016

Health Insurance Premium Benefit

Actuarial Valuation Date	Actuarial value of assets (a)	Actuarial accrued liability (b)	Unfunded actuarial accrued liability (UAAL) (funding excess) (b) - (a)	Funded ratio (a)/(b)	Annual covered payroll (c)	UAAL (funding excess) as a percentage of covered payroll (b) - (a)/(c)
PSPRS Police						
6/30/2015	\$ 241,300	\$ 198,982	\$ (42,318)	121.27%	\$ 1,177,679	0.00%
6/30/2014	222,278	174,025	(48,253)	127.73%	1,077,712	0.00%
6/30/2013	-	184,056	184,056	0.00%	1,163,976	15.81%

The health insurance subsidy payment reported for FY 2015 was \$8,352

TOWN OF CHINO VALLEY, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO THE SCHEDULE OF AGENT OPEB PLANS' FUNDING PROGRESS
June 30, 2016

NOTE 1 FACTORS THAT AFFECT THE IDENTIFICATION OF TRENDS

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

Other Supplementary Information

COMBINING NON-MAJOR FUND FINANCIAL STATEMENTS



Non-Major Government Funds

Financial Statements

Special Revenue Funds

- **Highway User Revenue Fund (HURF)** - This fund accounts for the Town's share of Arizona's highway user tax revenues and associated expenditures legally restricted for road construction and maintenance.
- **Grants Fund** - This fund accounts for miscellaneous federal and state grants and other contributions that are restricted for specific use other than CDBG Grants.
- **Street Lighting Improvement District Fund** - This fund accounts for property taxes charged in an amount sufficient to cover expenditures associated with three street lighting districts within the Town.

Capital Project Fund

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

TOWN OF CHINO VALLEY, ARIZONA
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 June 30, 2016

	Special Revenue		
	Highway User Revenue Fund	Grants	Street Lighting Improvement District
ASSETS			
Cash and cash equivalents	\$ 415,508	\$ 126,660	\$ -
Receivables, net:			
Accounts receivable	-	67,450	7
Intergovernmental	77,947	-	-
Total assets	\$ 493,455	\$ 194,110	\$ 7
LIABILITIES			
Accounts payable	\$ 25,779	\$ 49,407	\$ 323
Accrued wages and benefits	11,006	-	-
Accrued liabilities	466	247	-
Due to other funds	-	-	109
Total liabilities	37,251	49,654	432
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - grants	-	57,438	-
Total deferred inflows of resources	-	57,438	-
FUND BALANCES			
Restricted			
Highways and streets	456,204	-	-
Capital improvements	-	-	-
Culture and recreation	-	40,385	-
Public safety	-	46,099	-
Unassigned	-	534	(425)
Total fund balances	456,204	87,018	(425)
Total liabilities and fund balances	\$ 493,455	\$ 194,110	\$ 7

Capital Projects			
Police Impact Fee	Parks and Recreation Impact Fee	Roads Impact Fee	Total
\$ 2,326	\$ 18,323	\$ 547,641	\$ 1,110,458
-	-	-	67,457
-	-	-	77,947
<u>\$ 2,326</u>	<u>\$ 18,323</u>	<u>\$ 547,641</u>	<u>\$ 1,255,862</u>
\$ 2,099	\$ -	\$ -	\$ 77,608
-	-	-	11,006
-	-	-	713
-	-	-	109
<u>2,099</u>	<u>-</u>	<u>-</u>	<u>89,436</u>
-	-	-	57,438
-	-	-	57,438
-	-	-	456,204
227	18,323	547,641	566,191
-	-	-	40,385
-	-	-	46,099
-	-	-	109
<u>227</u>	<u>18,323</u>	<u>547,641</u>	<u>1,108,988</u>
<u>\$ 2,326</u>	<u>\$ 18,323</u>	<u>\$ 547,641</u>	<u>\$ 1,255,862</u>

TOWN OF CHINO VALLEY, ARIZONA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2016

REVENUES	Special Revenue		
	Highway User Revenue Fund	Grants	Street Lighting Improvement District
Taxes	\$ -	\$ -	\$ 3,994
Licenses and permits	1,439	-	-
Intergovernmental	875,702	235,783	-
Interest	2,251	-	-
Other revenues	150	33,003	-
Total revenues	879,542	268,786	3,994
EXPENDITURES			
Current:			
General government	-	21,397	-
Public safety	-	88,928	-
Public works/streets	727,515	-	4,177
Culture and recreation	-	18,507	-
Health & welfare	-	156,907	-
Capital outlay	28,803	60,579	-
Debt service:			
Principal retirement	83,122	-	-
Total expenditures	839,440	346,318	4,177
Excess of revenues over (under) expenditures	40,102	(77,532)	(183)
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	4,745	-	-
Transfers in	50,000	29,418	-
Transfers out	-	-	-
Total other financing sources (uses)	54,745	29,418	-
Net change in fund balances	94,847	(48,114)	(183)
Fund balances - beginning of year - restated	361,357	135,132	(242)
Fund balances - end of year	\$ 456,204	\$ 87,018	\$ (425)

Capital Projects			
Police Impact Fee	Parks and Recreation Impact Fee	Roads Impact Fee	Total
\$ -	\$ -	\$ -	\$ 3,994
-	-	-	1,439
-	-	-	1,111,485
65	42	1,334	3,692
12,368	-	-	45,521
<u>12,433</u>	<u>42</u>	<u>1,334</u>	<u>1,166,131</u>
-	-	-	21,397
-	-	-	88,928
-	-	-	731,692
-	-	-	18,507
-	-	-	156,907
25,461	-	-	114,843
-	-	-	83,122
<u>25,461</u>	<u>-</u>	<u>-</u>	<u>1,215,396</u>
<u>(13,028)</u>	<u>42</u>	<u>1,334</u>	<u>(49,265)</u>
-	-	-	4,745
-	-	-	79,418
-	-	(28,749)	(28,749)
-	-	(28,749)	55,414
(13,028)	42	(27,415)	6,149
<u>13,255</u>	<u>18,281</u>	<u>575,056</u>	<u>1,102,839</u>
<u>\$ 227</u>	<u>\$ 18,323</u>	<u>\$ 547,641</u>	<u>\$ 1,108,988</u>



Other Supplementary Information

BUDGETARY COMPARISON SCHEDULES

MAJOR GOVERNMENTAL FUND



TOWN OF CHINO VALLEY, ARIZONA
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Interest	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
EXPENDITURES				
Debt service:				
Principal retirement	240,000	240,000	3,833,313	(3,593,313)
Interest and fiscal charges	497,000	497,000	504,370	(7,370)
Bond issuance cost	-	-	65,714	(65,714)
Total expenditures	737,000	737,000	4,403,397	(3,666,397)
Excess (deficiency) of revenues over (under) expenditures	(737,000)	(737,000)	(4,403,397)	(3,666,397)
OTHER FINANCING SOURCES (USES)				
Refunding bonds issued	-	-	3,346,000	3,346,000
Transfers in	737,000	737,000	737,000	-
Total other financing sources and uses	737,000	737,000	4,083,000	3,346,000
Net change in fund balance	-	-	(320,397)	(320,397)
Fund balance - beginning of year	449,104	449,104	449,104	-
Fund balance - end of year	\$ 449,104	\$ 449,104	\$ 128,707	\$ (320,397)

TOWN OF CHINO VALLEY, ARIZONA
 CAPITAL IMPROVEMENTS
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL
 Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
City sales tax	\$ 1,410,500	\$ 1,410,500	\$ 1,359,727	\$ (50,773)
Intergovernmental revenues	2,650,000	2,650,000	628,263	(2,021,737)
Interest	-	-	28	28
Total revenues	<u>4,060,500</u>	<u>4,060,500</u>	<u>1,988,018</u>	<u>(2,072,482)</u>
EXPENDITURES				
Capital outlay	3,304,000	3,304,000	887,168	2,416,832
Total expenditures	<u>3,304,000</u>	<u>3,304,000</u>	<u>887,168</u>	<u>2,416,832</u>
Excess of revenues over (under) expenditures	<u>756,500</u>	<u>756,500</u>	<u>1,100,850</u>	<u>344,350</u>
OTHER FINANCING SOURCES (USES)				
Debt proceeds	9,000,000	9,000,000	-	(9,000,000)
Transfers in	529,000	529,000	28,749	(500,251)
Transfers out	<u>(1,137,000)</u>	<u>(1,137,000)</u>	<u>(1,137,000)</u>	<u>-</u>
Total other financing sources (uses):	<u>8,392,000</u>	<u>8,392,000</u>	<u>(1,108,251)</u>	<u>(9,500,251)</u>
Net change in fund balance	9,148,500	9,148,500	(7,401)	(9,155,901)
Fund balance - beginning of year - Restated	<u>-</u>	<u>-</u>	<u>691,049</u>	<u>691,049</u>
Fund balance - end of year	<u>\$ 9,148,500</u>	<u>\$ 9,148,500</u>	<u>\$ 683,648</u>	<u>\$ (8,464,852)</u>

Other Supplementary Information

BUDGETARY COMPARISON SCHEDULES

NON-MAJOR GOVERNMENTAL FUNDS



TOWN OF CHINO VALLEY, ARIZONA
HIGHWAY USER REVENUE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Licenses and permits	\$ 1,500	\$ 1,500	\$ 1,439	\$ (61)
Intergovernmental revenues	843,000	843,000	875,702	32,702
Interest	500	500	2,251	1,751
Other revenues	-	-	150	150
Total revenues	<u>845,000</u>	<u>845,000</u>	<u>879,542</u>	<u>34,542</u>
EXPENDITURES				
Public works/streets:				
Salaries	402,968	402,968	369,536	33,432
Employee Benefits	197,532	197,532	191,320	6,212
Utilities	11,000	11,000	9,390	1,610
Services, supplies and other	246,500	246,500	157,269	89,231
Contingencies	42,000	42,000	-	42,000
Capital outlay	30,000	30,000	28,803	1,197
Debt service:				
Principal retirement	84,000	84,000	83,122	878
Total expenditures	<u>1,014,000</u>	<u>1,014,000</u>	<u>839,440</u>	<u>174,560</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(169,000)</u>	<u>(169,000)</u>	<u>40,102</u>	<u>209,102</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	4,745	4,745
Transfers in	50,000	50,000	50,000	-
Total other financing sources and (uses)	<u>50,000</u>	<u>50,000</u>	<u>54,745</u>	<u>4,745</u>
Net change in fund balance	(119,000)	(119,000)	94,847	213,847
Fund balance - beginning of year	<u>361,357</u>	<u>361,357</u>	<u>361,357</u>	<u>-</u>
Fund balance - end of year	<u>\$ 242,357</u>	<u>\$ 242,357</u>	<u>\$ 456,204</u>	<u>\$ 213,847</u>

TOWN OF CHINO VALLEY, ARIZONA
 GRANTS
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL
 Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget- Positive (Negative)
REVENUES				
Intergovernmental revenues	\$ 3,385,000	\$ 3,385,000	\$ 235,783	\$ (3,149,217)
Other revenues	-	-	33,003	33,003
Total revenues	<u>3,385,000</u>	<u>3,385,000</u>	<u>268,786</u>	<u>(3,116,214)</u>
EXPENDITURES				
Current:				
General government	50,000	50,000	21,397	28,603
Public safety	100,000	100,000	88,928	11,072
Culture and recreation	100,000	100,000	18,507	81,493
Health and welfare	75,000	75,000	156,907	(81,907)
Capital outlay	<u>3,060,000</u>	<u>3,060,000</u>	<u>60,579</u>	<u>2,999,421</u>
Total expenditures	<u>3,385,000</u>	<u>3,385,000</u>	<u>346,318</u>	<u>3,038,682</u>
Net change in fund balance	-	-	(48,114)	(48,114)
Fund balance - beginning of year	<u>135,132</u>	<u>135,132</u>	<u>135,132</u>	<u>-</u>
Fund balance - end of year	<u>\$ 135,132</u>	<u>\$ 135,132</u>	<u>\$ 87,018</u>	<u>\$ (77,532)</u>

TOWN OF CHINO VALLEY, ARIZONA
STREET LIGHT IMPROVEMENT DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 4,000	\$ 4,000	\$ 3,994	\$ (6)
Total revenues	<u>4,000</u>	<u>4,000</u>	<u>3,994</u>	<u>(6)</u>
EXPENDITURES				
Current:				
Public works/streets	4,000	4,000	4,177	(177)
Total expenditures	<u>4,000</u>	<u>4,000</u>	<u>4,177</u>	<u>(177)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(183)</u>	<u>(183)</u>
Fund balance - beginning of year	<u>(242)</u>	<u>(242)</u>	<u>(242)</u>	<u>-</u>
Fund balance - end of year	<u>\$ (242)</u>	<u>\$ (242)</u>	<u>\$ (425)</u>	<u>\$ (183)</u>

TOWN OF CHINO VALLEY, ARIZONA
POLICE IMPACT FEES CAPITAL PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Interest	\$ -	\$ -	\$ 65	\$ 65
Other revenues	-	-	12,368	12,368
Total revenues	-	-	12,433	12,433
EXPENDITURES				
Capital outlay	63,000	63,000	25,461	37,539
Total expenditures	63,000	63,000	25,461	37,539
Excess (deficiency) of revenues over (under) expenditures	(63,000)	(63,000)	(13,028)	49,972
Fund balance - beginning of year	13,255	13,255	13,255	-
Fund balance - end of year	\$ (49,745)	\$ (49,745)	\$ 227	\$ 49,972

TOWN OF CHINO VALLEY, ARIZONA
 PARKS AND RECREATION IMPACT FEES CAPITAL PROJECT FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL
 Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Interest	\$ -	\$ -	\$ 42	\$ 42
Total revenues	-	-	42	42
EXPENDITURES				
Capital outlay	16,000	16,000	-	16,000
Total expenditures	16,000	16,000	-	16,000
Excess (deficiency) of revenues over (under) expenditures	(16,000)	(16,000)	42	16,042
Fund balance - beginning of year	18,281	18,281	18,281	-
Fund balance - end of year	\$ 2,281	\$ 2,281	\$ 18,323	\$ 16,042

TOWN OF CHINO VALLEY, ARIZONA
ROADS IMPACT FEES CAPITAL PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Interest	\$ -	\$ -	\$ 1,334	\$ 1,334
Total revenues	-	-	1,334	1,334
EXPENDITURES				
Capital outlay	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	-	-	1,334	1,334
Other Financing Sources (uses)				
Transfers out	(529,000)	(529,000)	(28,749)	-
Net change in fund balance	(529,000)	(529,000)	(27,415)	1,334
Fund balance - beginning of year	575,056	575,056	575,056	-
Fund balance - end of year	\$ 46,056	\$ 46,056	\$ 547,641	\$ 1,334

Statistical Section

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

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

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

	2007	2008	2009	2010
Governmental Activities				
Net Investment in Capital Assets:	\$ 3,061,154	\$ 4,337,598	\$ 2,028,364	\$ 1,800,961
Restricted	4,786,087	4,000,072	6,668,333	6,207,107
Unrestricted	1,095,459	1,415,418	1,809,426	2,144,281
Total Governmental Activities Net Assets	<u>\$ 8,942,700</u>	<u>\$ 9,753,088</u>	<u>\$ 10,506,123</u>	<u>\$ 10,152,349</u>
Business-type activities				
Net Investment in Capital Assets:	\$ 14,170,758	\$ 14,081,988	\$ 16,782,113	\$ 18,486,662
Restricted		154,608	231,283	379,394
Unrestricted	(6,859,504)	(4,992,441)	(2,992,737)	(3,022,133)
Total Business-Type Activities Net Assets	<u>\$ 7,311,254</u>	<u>\$ 9,244,155</u>	<u>\$ 14,020,659</u>	<u>\$ 15,843,923</u>
Primary government				
Net Investment in Capital Assets:	\$ 17,231,912	\$ 18,419,586	\$ 18,810,477	\$ 20,287,623
Restricted	4,786,087	4,154,680	6,899,616	6,586,501
Unrestricted	(5,764,045)	(3,577,023)	(1,183,311)	(877,852)
	<u>\$ 16,253,954</u>	<u>\$ 18,997,243</u>	<u>\$ 24,526,782</u>	<u>\$ 25,996,272</u>

2011	2012	2013	2014	2015	2016
\$ 1,335,678	\$ 1,484,070	\$ 2,509,616	\$ 3,960,511	\$ 4,343,890	\$ 5,424,332
4,732,926	4,280,241	3,556,297	3,331,847	1,821,510	1,327,962
<u>2,375,715</u>	<u>2,430,076</u>	<u>3,485,697</u>	<u>3,189,272</u>	<u>(900,628)</u>	<u>(119,472)</u>
<u>\$ 8,444,319</u>	<u>\$ 8,194,387</u>	<u>\$ 9,551,610</u>	<u>\$ 10,481,630</u>	<u>\$ 5,264,772</u>	<u>\$ 6,632,822</u>
\$ 17,662,445	\$ 17,042,946	\$ 16,360,590	\$ 15,658,866	\$ 16,458,815	\$ 16,077,901
459,182	458,987	524,391	637,600	750,922	482,116
<u>(3,193,523)</u>	<u>(3,399,728)</u>	<u>(3,906,099)</u>	<u>(4,386,202)</u>	<u>(4,991,149)</u>	<u>(4,665,739)</u>
<u>\$ 14,928,104</u>	<u>\$ 14,102,205</u>	<u>\$ 12,978,882</u>	<u>\$ 11,910,264</u>	<u>\$ 12,218,588</u>	<u>\$ 11,894,278</u>
\$ 18,998,123	\$ 18,527,016	\$ 18,870,206	\$ 19,619,377	\$ 20,802,705	\$ 21,502,233
5,192,108	4,739,228	4,080,688	3,969,447	2,572,432	1,810,078
<u>(817,808)</u>	<u>(969,652)</u>	<u>(420,402)</u>	<u>(1,196,930)</u>	<u>(5,891,777)</u>	<u>(4,785,211)</u>
<u>\$ 23,372,423</u>	<u>\$ 22,296,592</u>	<u>\$ 22,530,492</u>	<u>\$ 22,391,894</u>	<u>\$ 17,483,360</u>	<u>\$ 18,527,100</u>

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

Expenses	2007	2008	2009	2010
Governmental activities:				
General Government	\$ 4,786,152	\$ 4,435,347	\$ 1,678,308	\$ 2,911,780
Public Safety	3,017,124	2,995,168	2,943,285	2,678,291
Streets	1,062,752	1,006,950	1,051,760	1,778,978
Culture and Recreation	1,875,435	1,936,070	1,345,011	1,254,221
Health and Welfare			260,604	212,537
Interest on Long-Term Debt	336,559	304,451	26,742	20,867
Total Governmental Activities Expenses	<u>11,078,022</u>	<u>10,677,986</u>	<u>7,305,710</u>	<u>8,856,674</u>
Business-Type Activities:				
Water	1,015,765	985,011	757,920	512,123
Sewer	510,678	765,551	1,534,611	2,097,818
Total Business-Type Activities Expenses	<u>1,526,443</u>	<u>1,750,562</u>	<u>2,292,531</u>	<u>2,609,941</u>
Total Primary Government Expenses	<u>\$ 12,604,465</u>	<u>\$ 12,428,548</u>	<u>\$ 9,598,241</u>	<u>\$ 11,466,615</u>
Program Revenues				
Governmental Activities:				
Charges for Services:				
General Government	1,012,311	897,707	351,583	239,945
Public Safety			212,815	178,412
Streets				5,570
Culture and Recreation	138,394	123,472	48,825	63,581
Health and Welfare			24,601	13,161
Operating Grants and Contributions	1,665,164	1,395,476	1,423,164	1,436,082
Capital Grants and Contributions	587,978	115,665	220,362	212,012
Total Governmental Activities Program Revenues	<u>3,403,847</u>	<u>2,532,320</u>	<u>2,281,350</u>	<u>2,148,763</u>
Business-Type Activities:				
Charges for Services:				
Water	1,115,569	626,118	434,025	390,036
Sewer	777,302	928,646	863,450	1,025,172
Operating Grants and Contributions		150,258	172,473	
Capital Grants and Contributions		1,548,248	4,448,641	2,358,756
Total Business-Type Activities Program Revenues	<u>1,892,871</u>	<u>3,253,270</u>	<u>5,918,589</u>	<u>3,773,964</u>
Total Primary Government Program Revenues	<u>\$ 5,296,718</u>	<u>\$ 5,785,590</u>	<u>\$ 8,199,939</u>	<u>\$ 5,922,727</u>

	2011	2012	2013	2014	2015	2016
\$	3,115,747	\$ 2,867,718	\$ 3,015,601	\$ 3,414,324	\$ 3,457,971	\$ 3,989,993
	2,750,768	2,467,357	2,472,409	2,414,104	3,015,691	2,978,132
	1,531,504	707,108	721,841	1,301,632	1,440,937	1,186,710
	1,390,896	1,226,036	1,198,383	1,200,623	1,235,085	1,363,577
	247,530	232,990	239,226	256,884	251,416	316,355
	1,266,752	514,714	508,898	569,141	717,706	239,804
	<u>10,303,197</u>	<u>8,015,923</u>	<u>8,156,358</u>	<u>9,156,708</u>	<u>10,118,806</u>	<u>10,074,571</u>
	667,534	655,975	733,396	809,977	770,833	673,642
	2,192,778	2,187,974	2,221,272	2,459,646	2,461,103	2,327,254
	<u>2,860,312</u>	<u>2,843,949</u>	<u>2,954,668</u>	<u>3,269,623</u>	<u>3,231,936</u>	<u>3,000,896</u>
\$	<u>13,163,509</u>	<u>10,859,872</u>	<u>11,111,026</u>	<u>12,426,331</u>	<u>13,350,742</u>	<u>13,075,467</u>
	243,740	356,527	546,893	270,586	285,887	403,032
	178,644	162,082	169,389	159,271	191,141	224,484
	1,719	1,504	10,985	8,200	15,654	1,589
	80,687	86,244	88,189	87,724	84,730	69,494
	12,078	11,188	9,281	5,647	6,267	17,607
	1,345,516	1,199,771	1,006,900	1,144,777	1,292,377	1,341,035
	606,874	206,591	1,003,311	593,475	805,730	685,895
	<u>2,469,258</u>	<u>2,023,907</u>	<u>2,834,948</u>	<u>2,269,680</u>	<u>2,681,786</u>	<u>2,743,136</u>
	406,119	416,219	439,577	380,619	422,006	526,595
	1,103,636	1,088,471	1,069,377	1,218,343	1,417,253	1,457,882
		177,612	-	-	-	-
	135,718	58,538	114,730	367,470	192,425	157,938
	<u>1,645,473</u>	<u>1,740,840</u>	<u>1,623,684</u>	<u>1,966,432</u>	<u>2,031,684</u>	<u>2,142,415</u>
\$	<u>4,114,731</u>	<u>3,764,747</u>	<u>4,458,632</u>	<u>4,236,112</u>	<u>4,713,470</u>	<u>4,885,551</u>

(Continued)

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

	2007	2008	2009	2010
Net (expense)/revenue				
Governmental Activities	\$ (7,674,175)	\$ (8,145,666)	\$ (5,024,360)	\$ (6,707,911)
Business-Type Activities	366,428	1,502,708	3,626,058	1,164,023
Total Primary Government Net Expense	\$ (7,307,747)	\$ (6,642,958)	\$ (1,398,302)	\$ (5,543,888)
General Revenues and Other Changes in Net Position				
Governmental Activities:				
City Sales Tax	\$ 5,051,201	\$ 4,863,355	4,434,620	\$ 3,571,732
State Sales taxes			980,616	904,475
Auto Lieu Tax			727,395	669,831
State Sales taxes-Revenue Sharing	3,362,410	3,633,480	1,836,536	1,591,287
Property tax				3,375
Franchise tax	151,157	153,585	151,439	147,167
Impact Fees	579,617	369,126		
Other	56,459	10,094		
Unrestricted Investment Earnings	257,380	346,008	74,574	9,992
Gain on Sale of Assets			(3,436)	77,140
Transfers	(2,110,774)	(419,596)	(1,110,331)	(620,862)
Total Governmental Activities	7,347,450	8,956,052	7,091,413	6,354,137
Business-Type Activities:				
Unrestricted Investment Earnings	12,806	10,596	40,115	38,379
Grants and Contributions not restricted				
Gain on Sale of Assets				
Special items				
Transfers	2,110,774	419,596	1,110,331	620,862
Total Business-Type Activities	2,123,580	430,192	1,150,446	659,241
Total Primary Government	\$ 9,471,030	\$ 9,386,244	\$ 8,241,859	\$ 7,013,378
Change in Net Asset				
Governmental Activities	\$ (326,725)	\$ 810,386	\$ 2,067,053	\$ (353,774)
Business-Type Activities	2,490,008	1,932,900	4,776,504	1,823,264
Total Primary Government	\$ 2,163,283	\$ 2,743,286	\$ 6,843,557	\$ 1,469,490

2011	2012	2013	2014	2015	2016
\$ (7,833,939)	\$ (5,992,016)	\$ (5,321,410)	\$ (6,887,028)	\$ (7,437,020)	\$ (7,331,435)
<u>(1,214,839)</u>	<u>(1,103,109)</u>	<u>(1,330,984)</u>	<u>(1,303,191)</u>	<u>(1,200,252)</u>	<u>(858,481)</u>
<u>\$ (9,048,778)</u>	<u>\$ (7,095,125)</u>	<u>\$ (6,652,394)</u>	<u>\$ (8,190,219)</u>	<u>\$ (8,637,272)</u>	<u>\$ (8,189,916)</u>
\$ 3,379,524	\$ 3,507,894	\$ 3,882,227	\$ 5,147,065	\$ 5,078,635	\$ 5,455,413
932,899	845,244	885,391	941,542	1,309,465	1,022,547
656,953	555,907	564,341	596,994	629,553	680,388
1,199,626	912,963	1,104,933	1,205,692	988,552	1,302,365
3,770	4,042	3,809	3,682	4,028	3,994
142,101	138,431	133,055	135,183	125,124	136,036
				377	-
72,706	11,824	14,498	2,775	6,590	8,486
	9,795	-	4,115	(19,073)	-
<u>(261,670)</u>	<u>(244,016)</u>	<u>(362,988)</u>	<u>(220,000)</u>	<u>(280,700)</u>	<u>(150,000)</u>
<u>6,125,909</u>	<u>5,742,084</u>	<u>6,225,266</u>	<u>7,817,048</u>	<u>7,842,551</u>	<u>8,459,229</u>
37,350	33,194	27,827	14,573	676	1,671
				620	-
				1,660,154	382,500
261,670	244,016	362,988	220,000	280,700	150,000
<u>299,020</u>	<u>277,210</u>	<u>390,815</u>	<u>234,573</u>	<u>1,942,150</u>	<u>534,171</u>
<u>\$ 6,424,929</u>	<u>\$ 6,019,294</u>	<u>\$ 6,616,081</u>	<u>\$ 8,051,621</u>	<u>\$ 9,784,701</u>	<u>\$ 8,993,400</u>
\$ (1,708,030)	\$ (249,932)	\$ 903,856	\$ 930,020	\$ 405,531	\$ 1,127,794
<u>(915,819)</u>	<u>(825,899)</u>	<u>(940,169)</u>	<u>(1,068,618)</u>	<u>741,898</u>	<u>(324,310)</u>
<u>\$ (2,623,849)</u>	<u>\$ (1,075,831)</u>	<u>\$ (36,313)</u>	<u>\$ (138,598)</u>	<u>\$ 1,147,429</u>	<u>\$ 803,484</u>

(Concluded)

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

	2007	2008	2009	2010
General Fund				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted	\$ 5,942	\$ 2,345	\$ 2,112	\$ 11,240
Unassigned	1,256,702	1,558,352	2,218,190	2,578,941
Total General Fund	<u>\$ 1,262,644</u>	<u>\$ 1,560,697</u>	<u>\$ 2,220,302</u>	<u>\$ 2,590,181</u>
 All other Governmental Funds				
Restricted:				
Highways and Streets	\$ 1,558,969	\$ 1,387,080	\$ 997,827	\$ 1,486,838
Development Impact Fees	7,110,582	4,866,749	5,637,347	4,639,329
Debt Service	40,452			
Public Safety				
Grants				
Other Purposes		90	31,047	69,700
Assigned for:				
Capital Improvements				
Unassigned:				
Total all other Governmental Funds	<u>\$ 8,710,003</u>	<u>\$ 6,253,919</u>	<u>\$ 6,666,221</u>	<u>\$ 6,195,867</u>

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.

2011	2012	2013	2014	2015	2016
\$ 7,732	\$ 2,208	\$ 7,039	\$ 5,078	\$ 4,060	\$ 43,818
\$ -	\$ 109,383	\$ 212,680	\$ 217,775	\$ 301,854	\$ 322,353
<u>2,715,237</u>	<u>2,716,403</u>	<u>3,092,751</u>	<u>3,830,737</u>	<u>4,349,040</u>	<u>5,339,810</u>
<u>\$ 2,722,969</u>	<u>\$ 2,827,994</u>	<u>\$ 3,312,470</u>	<u>\$ 4,053,590</u>	<u>\$ 4,654,954</u>	<u>\$ 5,705,981</u>
\$ 638,866	\$ 747,681	\$ 923,837	\$ 680,219	\$ 463,774	\$ 456,204
3,075,999	2,895,908	2,138,187	1,475,498	606,592	566,191
374,013	499,053	285,557	292,213	614,924	128,707
	70,327	136,504	51,085	24,507	46,099
118,198					
			2,464	7,673	40,385
518,462	304,452	129,103	488,624	589,530	683,648
(344)				293	109
<u>\$ 4,725,194</u>	<u>\$ 4,517,421</u>	<u>\$ 3,613,188</u>	<u>\$ 2,990,103</u>	<u>\$ 2,307,293</u>	<u>\$ 1,921,343</u>

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

	2007	2008	2009	2010
Revenues				
Taxes	\$ 5,202,358	\$ 5,016,940	\$ 4,586,059	\$ 3,722,276
Licenses and Permits	530,420	480,940	223,658	174,077
Intergovernmental	5,020,916	5,052,787	4,872,059	4,750,169
Charges for Services	263,791	226,989	137,874	107,176
Fines and Forfeitures	335,924	300,575	272,281	215,818
Impact Fees	579,617	369,126	126,014	22,522
Interest	257,380	346,008	74,574	9,992
Other Revenues	671,665	114,603	194,010	44,592
Total Revenues	\$ 12,862,071	\$ 11,907,968	\$ 10,486,529	\$ 9,046,622
Expenditures				
Current:				
General Government	\$ 4,609,763	\$ 3,964,809	\$ 3,149,155	\$ 2,781,391
Public Safety	2,899,877	2,814,527	2,767,352	2,570,408
Public Works	942,080	863,704	685,248	478,017
Culuture and Recreation	1,533,614	1,523,187	976,041	900,389
Health and Welfare			226,030	177,330
Capital Outlay	4,639,516	1,034,220	394,839	1,551,991
Debt service				
Principal	435,455	453,808		
Interest	410,293	312,418	163,522	143,849
Bond Issuance Cost				
Total Expenditures	15,470,598	10,966,673	8,362,187	8,603,375
Revenues over (under) Expenditures	<u>(2,608,527)</u>	<u>941,295</u>	<u>2,124,342</u>	<u>443,247</u>
Other Finance Sources (Uses)				
Capital lease agreeemnt				
Sale of Assets			57,896	77,140
Bond Proceeds	5,708,492	-		
Payment to refunded debt escrow agent		(2,999,018)		
Transfers in	1,642,188	4,683,257	364,768	429,833
Transfers out	(1,498,568)	(4,779,968)	(1,475,099)	(1,050,695)
Total other Finance Sources (uses)	5,852,112	(3,095,729)	(1,052,435)	(543,722)
Net Change in Fund Balances	\$ 3,243,585	\$ (2,154,434)	\$ 1,071,907	\$ (100,475)
Debt Service as a Percentage of Noncapital Expenditures	-95.73%	7.24%	2.48%	1.78%

	2011	2012	2013	2014	2015	2016
\$	3,525,394	\$ 3,650,366	\$ 4,019,091	\$ 5,285,931	\$ 5,207,787	\$ 5,595,443
	177,433	281,820	178,614	250,285	276,828	352,447
	4,664,352	3,541,795	4,443,541	4,252,919	4,676,970	4,906,700
	123,242	150,323	438,798	93,961	94,270	122,960
	211,102	183,666	192,564	176,986	208,163	247,977
		11,132	29,764	194,873	2,712	-
	72,706	11,824	14,498	2,775	6,590	8,486
	54,608	169,286	106,335	44,879	38,413	54,354
\$	<u>8,828,837</u>	<u>\$ 8,000,212</u>	<u>\$ 9,423,205</u>	<u>\$ 10,302,609</u>	<u>\$ 10,511,733</u>	<u>\$ 11,288,367</u>
\$	3,229,263	\$ 2,774,513	\$ 2,831,438	\$ 3,309,301	\$ 3,339,953	\$ 3,638,936
	2,621,419	2,459,829	2,402,089	2,565,994	2,814,077	2,727,591
	1,350,212	559,413	587,631	1,037,923	1,182,221	731,692
	1,020,998	959,040	827,282	824,111	871,535	964,652
	213,973	211,961	227,476	249,419	378,921	402,424
	1,223,077	306,271	1,981,052	1,408,246	1,931,282	1,069,811
	7,280,000	153,979	37,028	65,000	75,000	3,960,916
	257,403	464,651	586,858	509,000	341,721	504,370
						65,714
	<u>17,196,345</u>	<u>7,889,657</u>	<u>9,480,854</u>	<u>9,968,994</u>	<u>10,934,710</u>	<u>14,066,106</u>
	<u>(8,367,508)</u>	<u>110,555</u>	<u>(57,649)</u>	<u>333,615</u>	<u>(422,977)</u>	<u>(2,777,739)</u>
					607,448	-
	11,293	30,713	879	4,420	14,783	6,560
	7,280,000					3,346,000
	1,666,199	1,321,598	1,023,203	1,394,732	1,684,779	1,095,167
	<u>(1,927,869)</u>	<u>(1,565,614)</u>	<u>(1,386,191)</u>	<u>(1,614,732)</u>	<u>(1,965,479)</u>	<u>(1,245,167)</u>
	<u>7,029,623</u>	<u>(213,303)</u>	<u>(362,109)</u>	<u>(215,580)</u>	<u>341,531</u>	<u>3,202,560</u>
\$	<u>(1,337,885)</u>	<u>\$ (102,748)</u>	<u>\$ (419,758)</u>	<u>\$ 118,035</u>	<u>\$ (81,446)</u>	<u>\$ 424,821</u>
	46.93%	8.47%	8.38%	6.84%	4.46%	35.77%



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	
2006-2007	73,660,808	611,720,593	81,283,795	682,257,529	12%
2007-2008	87,984,637	734,962,056	116,815,366	976,209,959	12%
2008-2009	99,671,389	843,348,902	122,276,572	1,027,145,426	12%
2009-2010	97,702,687	829,906,042	105,453,785	885,502,082	12%
2010-2011	88,307,350	736,203,336	90,631,086	751,939,515	12%
2011-2012	74,109,132	616,331,804	74,322,200	622,456,044	12%
2012-2013	66,970,381	570,467,244	67,121,326	573,338,223	12%
2013-2014	66,507,361	558,648,344	66,893,394	563,576,848	12%
2014-2015	68,650,602	606,318,136	78,892,362	702,125,803	11%
2015-2016	68,900,296	627,209,860	80,357,855	738,888,013	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	2006-2007	2007-2008	2008-2009	2009-2010
Town of Chino Valley	-	-	-	-
Yavapai County	1.6552	1.5292	1.3683	1.2842
School Equalization				0.3306
Yavapai College	1.4308	1.3397	1.1989	1.1250
Chino Valley School District	3.1742	3.7429	3.1492	3.3696
Total Primary	<u>6.2602</u>	<u>6.6118</u>	<u>5.7164</u>	<u>6.1094</u>

Source: Yavapai County Treasurer

<u>2010-2011</u>	<u>2011-2012</u>	<u>2012-2013</u>	<u>2013-2014</u>	<u>2014-2015</u>	<u>2015-2016</u>
-	-	-	-	-	-
1.3524	1.4305	1.6426	1.9308	1.9442	1.9317
0.3564	0.4259	0.4717	0.5123	0.5089	0.5054
1.2046	1.4274	1.6725	1.8241	1.8606	1.8721
2.7647	3.7791	4.2320	4.9640	5.0146	4.4236
<u>5.6781</u>	<u>7.0629</u>	<u>8.0188</u>	<u>9.2312</u>	<u>9.3283</u>	<u>8.7328</u>

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

Tax Authority	2006-2007	2007-2008	2008-2009	2009-2010
Town of Chino Valley	-	-	-	-
Fire District Assistance	0.0895	0.0829	0.0722	0.0740
Flood Control District	0.1983	0.1723	0.1723	0.1723
Library District	0.1020	0.1016	0.1020	0.1016
Yavapai College	0.2265	0.1828	0.1405	0.1367
Chino Valley School District	0.9410	0.7133	0.5245	0.5486
Chino Valley Fire District	2.5400	2.6745	2.1280	2.1400
Total Secondary	<u>4.0973</u>	<u>3.9274</u>	<u>3.1395</u>	<u>3.1732</u>

Source: Yavapai County Treasurer

<u>2010-2011</u>	<u>2011-2012</u>	<u>2012-2013</u>	<u>2013-2014</u>	<u>2014-2015</u>	<u>2015-2016</u>
-	-	-	-	-	-
0.0813	0.0928	0.1000	0.1000	0.1000	0.1000
0.1994	0.2483	0.2963	0.2162	0.2116	0.2060
0.1188	0.1456	0.1660	0.1491	0.1500	0.1667
0.1563	0.1901	0.2150	0.2227	0.2231	0.2180
0.5747	0.6739	0.7845	0.0500	0.0500	0.0500
2.3250	2.8220	3.4531	3.5799	3.5799	3.6577
<u>3.4555</u>	<u>4.1727</u>	<u>5.0149</u>	<u>4.3179</u>	<u>4.3146</u>	<u>4.3984</u>

Town of Chino Valley, Arizona
Table 8
Sales Tax Revenues by Industry
Fiscal Years 2016, 2015, 2014, 2013, 2012, 2011 and 2010

	Fiscal Year 2009-2010		Fiscal Year 2010-2011		Fiscal Year 2011-2012	
	Tax Paid	Percentage of Total	Tax Paid	Percentage of Total	Tax Paid	Percentage of Total
Construction	\$ 375,076	10.51%	\$ 165,563	4.90%	\$ 187,286	5.34%
Manufacturing	58,754	1.65%	67,278	1.99%	53,107	1.51%
Transportation/ Communication/Utilities	650,060	18.21%	605,846	17.93%	634,512	18.09%
Wholesale Trade	121,368	3.40%	118,221	3.50%	140,008	3.99%
Retail Trade	1,685,231	47.20%	1,670,215	49.42%	1,758,983	50.14%
Restaurants/Bars	274,082	7.68%	286,598	8.48%	291,732	8.32%
Insurance/Real Estate	264,447	7.41%	248,979	7.37%	262,331	7.48%
Services	60,323	1.69%	68,179	2.02%	88,126	2.51%
All Other	80,827	2.26%	148,645	4.40%	91,809	2.62%
Total	\$ 3,570,169	100.00%	\$ 3,379,524	100.00%	\$ 3,507,893	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 2012-2013		Fiscal Year 2013-2014		Fiscal Year 2014-15		Fiscal Year 2015-16	
Tax Paid	Percentage of Total	Tax Paid	Percentage of Total	Tax Paid	Percentage of Total	Tax Paid	Percentage of Total
\$ 428,058	11.03%	\$ 363,845	7.38%	\$ 345,449	6.80%	\$ 354,129	6.97%
67,869	1.75%	67,904	1.38%	74,890	1.47%	78,910	1.55%
639,694	16.48%	817,254	16.59%	764,228	15.05%	798,024	15.71%
135,349	3.49%	169,475	3.44%	167,135	3.29%	129,501	2.55%
1,787,495	46.04%	2,457,281	49.87%	2,606,219	51.32%	2,735,267	53.86%
298,752	7.70%	415,200	8.43%	477,722	9.41%	501,100	9.87%
273,188	7.04%	332,480	6.75%	335,282	6.60%	348,577	6.86%
101,702	2.62%	128,676	2.61%	125,529	2.47%	130,589	2.57%
150,121	3.87%	174,950	3.55%	182,181	3.59%	282,941	5.57%
<u>\$ 3,882,227</u>	<u>100.00%</u>	<u>\$ 4,927,064</u>	<u>100.00%</u>	<u>\$ 5,078,635</u>	<u>100.00%</u>	<u>\$ 5,359,038</u>	<u>105.52%</u>

Town of Chino Valley, Arizona
Table 9
Direct and Overlapping Sales Tax Rates
As of June 30, 2016

	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
2006-2007	4,843,267	151,157	1,171,457	1,399,327	816,581	7,565,208
2007-2008	4,808,851	153,585	1,132,717	1,734,497	791,220	7,829,650
2008-2009	4,170,358	151,438	980,617	1,836,536	727,395	7,138,949
2009-2010	3,460,446	147,168	904,476	1,591,287	669,831	6,103,377
2010-2011	3,379,524	142,100	932,899	1,199,626	656,953	5,654,149
2011-2012	3,507,894	138,429	845,245	912,963	555,907	5,404,531
2012-2013	3,882,228	133,055	885,392	1,104,933	564,341	6,569,949
2013-2014	5,147,066	135,183	941,543	1,205,692	596,994	8,026,477
2014-2015	5,018,421	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

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
2006-2007	655,623	7,334,956	5,206,824	876,484		1,478,325
2007-2008	501,815	6,076,997	4,471,816	873,302		10,216,853
2008-2009	355,694	6,079,038	4,461,808	758,170		10,790,408
2009-2010	223,371	6,081,079	4,451,800	5,351,967		10,681,637
2010-2011	122,894	7,103,540	3,976,792	4,625,715		10,314,341
2011-2012	37,028	7,112,149	3,901,784	4,619,085		9,935,517
2012-2013	-	7,120,757	3,891,776	4,619,085		9,544,790
2013-2014	-	7,129,365	3,816,768	4,566,425		9,141,772
2014-2015	519,466	7,137,973	3,731,760	92,329		11,689,732
2015-2016	401,035	10,492,581	-	71,280		11,034,561

(a) See page 86 for population data.

* Means no data available during that fiscal year.

Business-Type Activities					
Related Party Capital Leases	Revenue Bonds	Developer Agreement	Total Primary Government	Percentage of Personal Income	Per Capita (a)
3,084,401		444,873	19,081,486	*	1,689
3,238,622		426,413	25,805,818	*	2,258
4,637,893		424,283	27,507,294	*	2,459
-		424,283	27,214,137	*	2,477
	746,452	421,443	27,311,177	*	2,523
	746,351	420,733	26,772,647	*	2,477
	656,251	420,733	26,253,392	*	2,435
	611,151	420,733	25,686,214	*	2,382
	611,051	420,733	24,203,044	*	2,245
	565,951	420,733	22,986,141	*	2,064



Town of Chino Valley, Arizona
Table 12
Computation of Direct and Overlapping Debt
June 30, 2016

Jurisdiction	2015-2016 Secondary Assessed Valuation	Net Debt Outstanding	Percentage Applicable to the Town of Chino Valley	Amount Applicable to the Town of Chino Valley	2015-2016 Combined Tax Rate Per \$100 Assessed
State of Arizona	\$ 67,262,430,756	\$ -	0.12%	\$ -	None
Yavapai County	\$ 2,727,473,819	\$ -	2.95%	\$ -	0.0000%
Chino Valley School District	\$ 175,036,298	\$ -	100.00%	\$ -	0.0500%
Chino Valley Fire District	\$ 107,201,126	\$ 3,735,000	74.96%	\$ 2,799,752	3.5700%
Yavapai County Library District	\$ 2,727,473,819	\$ -	2.95%	\$ -	0.1491%
Yavapai County Community College	\$ 2,727,473,819	\$ 43,365,000	2.95%	\$ 1,277,636	0.2227%
Total Overlapping Debt		<u>\$ 47,100,000</u>		<u>\$ 4,077,388</u>	<u>3.9918%</u>
Town of Chino Valley	\$ 80,357,855	\$ 11,337,786	100.00%	\$ 11,337,786	0.0000%
Total Direct Debt		<u>\$ 11,337,786</u>		<u>\$ 11,337,786</u>	
Total Overlapping and Direct Debt		<u>\$ 58,437,786</u>		<u>\$ 15,415,174</u>	<u>3.9918%</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

	2006-2007	2007-2008	2008-2009	2009-2010
Secondary Assessed Value	\$ 81,283,795	\$ 116,815,366	\$ 122,276,572	\$ 105,453,785
20% Limitation (a)				
Debt Limit Equal to 20% of Assessed Valuation	\$ 16,256,759	\$ 23,363,073	\$ 24,455,314	\$ 21,090,757
Total Debt Applicable to 20% Limit	\$ -	\$ -	\$ -	\$ -
Legal 20% Debt Margin (Available Borrowing Capacity)	<u>\$ 16,256,759</u>	<u>\$ 23,363,073</u>	<u>\$ 24,455,314</u>	<u>\$ 21,090,757</u>
Total Net Debt Applicable to the 20% Limit as a Percentage of 20% Debt Limit	0.00%	0.00%	0.00%	0.00%
6% Limitation (b)				
Debt Limit Equal to 6% of Assessed Valuation	\$ 4,877,028	\$ 7,008,922	\$ 7,336,594	\$ 6,327,227
Total Debt Applicable to 6% Limit	\$ -	\$ -	\$ -	\$ -
Legal 6% Debt Margin (Available Borrowing Capacity)	<u>\$ 4,877,028</u>	<u>\$ 7,008,922</u>	<u>\$ 7,336,594</u>	<u>\$ 6,327,227</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.

2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016
\$ 90,631,086	\$ 74,322,200	\$ 67,121,326	\$ 66,893,394	\$ 78,892,362	\$ 80,357,855
\$ 18,126,217	\$ 14,864,440	\$ 13,424,265	\$ 13,378,679	\$ 15,778,472	\$ 16,071,571
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>\$ 18,126,217</u>	<u>\$ 14,864,440</u>	<u>\$ 13,424,265</u>	<u>\$ 13,378,679</u>	<u>\$ 15,778,472</u>	<u>\$ 16,071,571</u>
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
\$ 5,437,865	\$ 4,459,332	\$ 4,027,280	\$ 4,013,604	\$ 4,733,542	\$ 4,821,471
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>\$ 5,437,865</u>	<u>\$ 4,459,332</u>	<u>\$ 4,027,280</u>	<u>\$ 4,013,604</u>	<u>\$ 4,733,542</u>	<u>\$ 4,821,471</u>
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	
2008	7,829,650		208,195	37.61
2009	7,138,949		331,638	21.53
2010	6,103,377		331,638	18.40
2011	5,654,149		331,638	17.05
2012	5,404,531		331,638	16.30
2013	6,569,949		331,638	19.81
2014	8,026,477		331,638	24.20
2015	8,071,115		331,638	24.34
2016	8,545,285		661,638	12.92

Revenue Bonds 2016				
Fiscal Year Ended June 30,	Excise Tax Collection	Debt Service		Coverage
		Principal	Interest	
2016	8,545,285			-

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	8,026,477	45,000	26,895	111.64
2015	8,071,115	45,000	25,883	113.87
2016	8,545,285	45,000	24,713	122.58

WIFA 2007				
Fiscal Year Ended June 30,	Excise Tax Collection	Debt Service		Coverage
		Principal	Interest	
2007	7,565,208		20,900	361.96
2008	7,829,650	-	43,576	179.68
2009	7,138,949	64,380	41,801	67.23
2010	6,103,377	66,156	39,976	57.51
2011	5,654,149	67,980	38,100	53.30
2012	5,404,531	69,855	36,174	50.97
2013	6,569,949	71,782	34,194	61.99
2014	8,026,477	73,762	32,160	75.78
2015	8,071,115	75,796	30,070	76.24
2016	8,545,285	77,886	27,922	80.76

WIFA 2008				
Fiscal Year Ended June 30,	Excise Tax Collection	Debt Service		Coverage
		Principal	Interest	
2008	7,829,650		67,801	115.48
2009	7,138,949		136,563	52.28
2010	6,103,377	-	136,563	44.69
2011	5,654,149	210,766	130,632	16.56
2012	5,404,531	216,697	124,534	15.84
2013	6,569,949	222,795	118,265	19.26
2014	8,026,477	229,065	111,816	23.55
2015	8,071,115	235,510	105,192	23.69
2016	8,545,285	242,138	98,378	25.10

WIFA 2014				
Fiscal Year Ended June 30,	Excise Tax Collection	Debt Service		Coverage
		Principal	Interest	
2015	8,071,115		29,950	269.49
2016	8,545,285	121,854	57,121	47.75

WIFA 2016				
Fiscal Year Ended June 30,	Excise Tax Collection	Debt Service		Coverage
		Principal	Interest	
2016	8,545,285	-	60,462	141.33



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>
2006-2007	11,296	202,764	6,332,616	31	*	3.9%
2007-2008	11,429	211,211	6,627,607	31	2752	3.6%
2008-2009	11,188	211,917	6,034,069	28	2791	6.0%
2009-2010	10,988	210,899	6,015,150	29	3003	10.3%
2010-2011	10,825	211,247	6,248,490	30	3178	10.9%
2011-2012	10,808	211,583	6,448,529	30	3392	9.7%
2012-2013	10,783	211,033	6,753,056	32	3443	8.6%
2013-2014	10,943	215,133	4,853,759	23	3019	8.6%
2014-2015	10,817	218,844	5,593,458	26	3089	8.6%
2015-2016	11,137	222,255	7,112,160	32	2991	8.6%

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

* Detailed information not available.

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

Employer	2016		2015	
	Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment
Chino Valley Unified School	249	2.31%	249	2.31%
Safeway	135	1.25%	139	1.29%
Town of Chino Valley	96	0.89%	95	0.88%
Bar S Machine	45	0.42%	45	0.42%
Chino Medical Center	43	0.40%	43	0.40%
Bonn Fire Grill	45	0.42%	43	0.40%
Performance Accessories	38	0.35%	38	0.35%
Arizona Highway Safety Specialists	29	0.27%	34	0.32%
Color Spot	31	0.29%	31	0.29%
Circle L Annimal Hospital	22	0.20%	21	0.19%
	<u>733</u>	<u>6.80%</u>	<u>738</u>	<u>6.84%</u>

Sources: Central Arizona Regional Economic Development Foundation; various employers

2014		2013	
Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment
250	2.32%	400	3.71%
140	1.30%	140	1.30%
89	0.83%	91	0.84%
45	0.42%	45	0.42%
43	0.40%	42	0.39%
40	0.37%	35	0.32%
36	0.33%	35	0.32%
35	0.32%	29	0.27%
30	0.28%	45	0.42%
21	0.19%	20	0.19%
<u>729</u>	<u>6.76%</u>	<u>882</u>	<u>8.18%</u>

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
2006-2007	48	42	17	4
2007-2008	38	40	11	4
2008-2009	34	37	11	3
2009-2010	33	37	12	3
2010-2011	27	33	9	3
2011-2012	26	30	9	3
2012-2013	30	30	9	3
2013-2014	29	30.5	8	3.5
2014-2015	36	30.5	0.5	3.5
2015-2016	40	30.5	1	3.5

Source: Town of Chino Valley Budget

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

Function/Program				
<u>Public Works/Streets</u>	<u>Public Works/Water</u>	<u>Public Works/Sewer</u>		<u>Total</u>
9	6	0		126
7	5	0		105
6	4	2		97
6	5	3		99
9	3	4		88
9	4	4		85
11	4	4		91
11	3.5	3.5		89
11	3.5	3.5		89
10	2.5	3.5		91

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

Function/Program	Fiscal Year			
	2006-2007	2007-2008	2008-2009	2009-2010
General Government				
Registered Voters	4,721	*	5,736	*
Votes cast last primary election	2,022	*	2,561	*
Police				
Number of police personnel and officers	42	40	37	37
Arrests	*	642	567	512
Citations	*	1,910	1,418	1,872
Traffic Stops	*	3,916	4,364	5,466
Security Checks	*	*	*	1,289
Officer Reports	*	5,500	6,350	8,765
Calls for Service	*	11,801	11,855	14,514
Animal Control				
Animal Related Calls	*	*	1,060	938
Impounded Dogs	*	*	398	236
Adopted Dogs	*	*	61	*
Dog Licenses Sold	*	*	*	2,137
Highways & Streets				
Miles of Paved Roads Maintained	*	*	*	*
Street resurfacing (miles)	*	*	*	*
Street sweeping (miles)	*	*	*	*
Potholes repaired (cold mix tons)	*	*	*	186
Water				
Number of wells	19	19	19	19
Total well production (acre feet)	188	303	254	245
Number of metered accounts	484	607	607	607
New Residential Connections	93	123	0	0
Number of Water Tanks	1	2	2	2
Storage Capacity (mg)	0.165	1.165	1.165	1.165
Miles of Water Mains	19.5	20.5	20.5	20.5
Line Breaks	0	0	3	3
Average Daily Consumption (thousand of gallons)	168	270	227	219
Number of Fire Hydrant	*	103	103	103
Wastewater				
Number of active accounts	0	1,080	1,640	1,669
Average daily sewage treatment gallons	0	0	243,000	299,000
Plant Capacity per day gallons	250,000	250,000	500,000	500,000
Gallons Recharged in Aquifer (acre feet)			228	235

Fiscal Year					
<u>2010-2011</u>	<u>2011-2012</u>	<u>2012-2013</u>	<u>2013-2014</u>	<u>2014-2015</u>	<u>2015-2016</u>
5,766	*	6,027	*	5,914	*
2,256	*	2,092	*	3,587	*
33	30	30	30	30	30
388	358	262	440	443	445
1,550	1,539	756	934	808	1,234
5,298	5,715	3,503	3,067	2,801	3,166
2,004	1,906	4,717	2,425	2,602	1,979
8,032	10,662	6,643	7,700	6,485	6,257
13,091	15,350	10,367	11,870	10,988	11,212
1,099	785	945	829	878	1,005
330	309	297	315	301	340
*	109	102	121	136	137
1,996	1,666	1,700	1,807	1,971	1,912
157.4	157.4	157.4	162.87	152.71	152.71
0	0	4	0	3	0
0	13	13	13	13	13
144	149	214	168	148	157
19	19	19	19	19	19
233	240	255	250	250	250
607	607	607	626	633	658
0	0	0	19	7	25
2	2	2	2	2	2
1.165	1.165	1.165	1.165	1.165	1.165
20.5	20.5	20.5	21.0	21.0	21.0
0	1	0	0	0	0
208	213	228	223	296	312
103	103	103	103	103	103
1,672	1,672	1,685	1,689	1,735	1,744
295,000	321,000	324,000	325,000	325,000	325,000
500,000	500,000	500,000	500,000	500,000	500,000
225	230	242	244	246	251

(Continued)

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

Function/Program	Fiscal Year			
	2006-2007	2007-2008	2008-2009	2009-2010
Facilities Maintenance				
Number of Buildings Maintained	*	19	19	19
Square Footage of Buildings Maintained	*	55,704	55,704	55,704
Number of HVAC Unites Maintained	*	42	42	42
Parks and Recreation				
Park Areas	*	*	*	114
Total Miles of Trails	*	*	*	3
Parkland Acreage	*	*	*	2
Total Open Space Acres	*	*	*	89
Total Acres of Turf	*	*	*	20
Gallons of Water User per Acre of Turf	*	*	*	*
Playgrounds	2	2	2	2
Aquatic Center Admissions	*	*	*	*
Economic Development				
Building Permits-Commercial	23	20	17	18
Building Permits-Residential	727	423	163	194
Housing Rehabilitations	*	*	*	*
Code Enforcement Cases	573	261	293	216
Planning Cases	7	2	11	8
Culture - Library				
Items in Collections	54,404	55,011	48,882	47,957
Total Items Circulated	147,590	131,697	131,446	129,982
Reference Transactions	4,362	4,431	4,008	3,209
Computer Uses	15,500	15,000	15,000	15,000
Inter Library Loan	10,227	10,591	10,916	11,362
Total Library Attendance	75,005	75,971	72,302	59,082
Culture - Senior Center				
Total Meals Served in House	*	*	11,030	10,267
Total Meals on Wheels	*	*	12,266	12,085

Fiscal Year					
<u>2010-2011</u>	<u>2011-2012</u>	<u>2012-2013</u>	<u>2013-2014</u>	<u>2014-2015</u>	<u>2015-2016</u>
19	20	20	20	20	20
55,704	55,704	55,704	55,704	55,704	55,704
42	44	44	44	44	44
114	114	114	114	114	114
3	3	3	3	3	3
2	2	9	9	9	9
89	89	82	82	82	82
20	20	20	20	20	20
*	1,041,365	931,758	700,974	793,635	805,784
2	2	2	2	2	2
*	12,324	11,189	13,442	12,074	10,771
11	19	27	13	65	53
167	165	147	220	225	265
*	*	8	0	3	0
256	183	208	176	223	186
6	11	17	14	16	16
52,334	50,581	43,055	44,249	53,523	49,072
90,700	110,926	108,515	114,171	112,843	113,231
5,863	5,753	4,999	4,551	5,891	5,008
15,600	15,600	15,603	15,307	16,702	15,102
18,696	8,904	18,061	25,696	23,238	29,504
68,791	68,934	60,273	60,380	62,346	60,533
9,205	8,565	8,493	10,211	11,606	13,264
13,077	8,091	9,101	8,264	10,582	12,065

(Concluded)

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

<u>Function/Program</u>	<u>2006-2007</u>	<u>2007-2008</u>	<u>2008-2009</u>	<u>2009-2010</u>	<u>2010-2011</u>
Public Safety					
Stations	1	1	1	1	1
Patrol units	16	17	20	19	21
Highways and Streets					
Streets (miles)	*	*	*	*	157.4
Water					
Water mains (miles)	19.5	19.5	19.5	19.5	19.5
Fire hydrants	*	103	103	103	103
Sewer					
Sanitary Sewer (miles)		23	23	23	23
Maximum daily treatment capacity (thousands of gallons)	250,000	250,000	500,000	500,000	500,000
Recreation and Aquatics					
Parks Acreage	*	47	47	47	47
Number of Parks	5	5	5	5	5
Swimming Pools	1	1	1	1	1
Ball Fields	2	6	6	6	6

* Not available

Sources: Various City Departments

<u>2011-2012</u>	<u>2012-2013</u>	<u>2013-2014</u>	<u>2014-2015</u>	<u>2015-2016</u>
1 19	1 19	1 19	1 19	1 19
157.4	157.4	157.4	157.4	157.4
19.5 103	19.5 103	19.5 103	19.5 103	19.5 103
23 500,000	23 500,000	23 500,000	23 500,000	23 500,000
47 5 1 6	47 5 1 6	47 5 1 6	47 5 1 6	47 5 1 6



Compliance Section





HENRY & HORNE, LLP
Certified Public Accountants

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Chino Valley, Arizona, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Chino Valley, Arizona's basic financial statements, and have issued our report thereon dated November 29, 2016.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses. We consider the deficiency 2016-001 described in the accompanying schedule of findings and questioned costs to be material weaknesses.

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Casa Grande, AZ 85122-2950
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Fax (520) 426-9432

Compliance and Other Matters

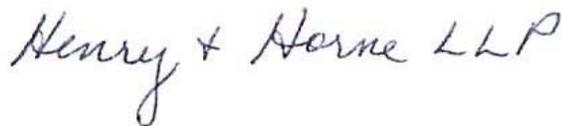
As part of obtaining reasonable assurance about whether the Town of Chino Valley, Arizona's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have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

Town of Chino Valley's Response to Finding

Town of Chino Valley's response to the finding identified in our audit is described in the accompanying schedule of findings and questions costs. Town of Chino Valley'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.

A handwritten signature in cursive script that reads "Henry + Horne LLP".

Casa Grande, Arizona
November 29, 2016



HENRY & HORNE, LLP
Certified Public Accountants

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

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

Report on Compliance for Each Major Federal Program

We have audited the Town of Chino Valley, Arizona's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town of Chino Valley, Arizona's major federal programs for the year ended June 30, 2016. Town of Chino Valley, Arizona's major federal programs are identified in the summary of auditors' 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 each of the Town of Chino Valley, Arizona's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Chino Valley, Arizona's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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Opinion on Each Major Federal Program

In our opinion, the Town of Chino Valley, Arizona, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

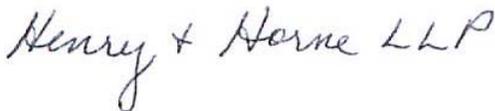
Report on Internal Control over Compliance

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

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

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

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



Casa Grande, Arizona
November 29, 2016

TOWN OF CHINO VALLEY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2016

Grantor/Program	Federal CFDA Number	Pass- Through Entity Identifying Number	Total Expenditures
Department of Housing and Urban Development			
Pass-through programs from:			
State of Arizona Department of Housing			
Home Investment Partnerships Program	14.236	303-15	128,986
Department of Commerce			
Investments for Public Works and Economic Development Facilities	11.300	07-70-5413	57,438
United States Environmental Protection Agency			
Pass-through programs from:			
Water Infrastructure Finance Authority of Arizona			
2013 Capitalization Grants for Clean Water State Revolving Funds	66.458	910167-16	1,750,000 *
2014 Capitalization Grants for Clean Water State Revolving Funds	66.458	910167-16	132,500 *
2015 Capitalization Grants for Clean Water State Revolving Funds	66.458	910167-16	250,000 *
			<u>2,132,500</u>
Total Expenditures of Federal Awards			<u>\$ 2,318,924</u>

*denotes major program

TOWN OF CHINO VALLEY, ARIZONA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED June 30, 2016

NOTE 1 BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Town of Chino Valley (Town) under programs of the federal government for the year ended June 30, 2016. The information in this schedule is presented in accordance with requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town.

NOTE 2 CATALOG OF FEDERAL DOMESTIC ASSISTANCE (CFDA) NUMBERS

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

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

TOWN OF CHINO VALLEY, ARIZONA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED June 30, 2016

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

___ yes X none reported

Noncompliance material to financial statements noted?

___ yes X 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:

Water Infrastructure Finance Authority
 Capital Grant

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
66.458	Water Infrastructure Finance Authority Capital Grant

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, 2016

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

FINDING: 2016-001

CRITERIA

The Town Council imposes a sales tax on the sales of goods within a geographic location. In accordance with Governmental Accounting Standards Board Statement No. 33, the Town should recognize sales tax revenues in the period in which the sales transaction occurred if the revenue is both measurable and available.

CONDITION/CONTEXT

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

EFFECT

Town sales taxes for the month of June were not being accrued to the proper fiscal year. The town's governmental net position for the year ended June 30, 2015 was understated by \$406,076.

CAUSE

Staff was unaware of the timing of June's sales tax collections being remitted from the merchants through the State of Arizona's reports.

RECOMMENDATION

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

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTION

Management concurs with this recommendation and will perform a year end closing of all accrual based accounts.

TOWN OF CHINO VALLEY, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED June 30, 2016

SECTION III – FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

None noted.

SECTION IV – SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

None noted.