



Town of Chino Valley

MEETING NOTICE TOWN COUNCIL

**REGULAR MEETING
Tuesday, January 27, 2015
6:00 P.M.**

**Council Chambers
202 N. State Route 89
Chino Valley, Arizona**

AGENDA

- 1) CALL TO ORDER, INVOCATION; PLEDGE OF ALLEGIANCE; ROLL CALL**
- 2) INTRODUCTIONS, PRESENTATIONS, AND PROCLAMATIONS**

- a)** Presentation regarding Prescott Area Leadership by Kathy Eiskamp. (Cecilia Gritman, General Services Director)
- b)** Consideration and possible action to review a presentation of the Parks and Recreation Advisory Board by Members of the Board.

- 3) CALL TO THE PUBLIC**

Call to the Public is an opportunity for the public to address the Council concerning a subject that is not on the agenda. Public comment is encouraged. Individuals are limited to speak for three (3) minutes. The total time for Call to the Public may be up to 30 minutes per meeting. Council action taken as a result of public comment will be limited to directing staff to study the matter, scheduling the matter for further consideration and decision at a later date, or responding to criticism.

- 4) RESPONSE TO THE PUBLIC**

Response to the Public is an opportunity for the Mayor to inform the public about how Town officials addressed matters raised during Call to the Public at a previous meeting.

- a)** Town regulations supporting agri-business.

5) **CURRENT EVENT SUMMARIES AND REPORTS**

This item is for information only. The Mayor, any Councilmember, or Town Manager may present a brief summary or report of current events, or ask a staff member to provide the same. Presentation on information requested by the Mayor and Council will be made and questions answered. No action will be taken.

- a) Status report by Town Manager Robert Smith regarding Town accomplishments, and current or upcoming projects.

6) **CONSENT AGENDA**

All those items listed below are considered to be routine and may be enacted by one motion. Any Councilmember may request to remove an item from the Consent Agenda to be considered and discussed separately.

- a) Consideration and possible action to accept the January 13, 2015 regular meeting minutes. (Jami Lewis, Town Clerk)

7) **ACTION ITEMS**

- a) *Continued from January 13, 2015:* Consideration and possible action to adopt Resolution No. 15-1053 in support of Arizona SONShine 2015, a free health services event in the Quad-cities area to be held June 17-18, 2015. (Cecilia Grittmann, General Services Director)

Recommended Action: Adopt Resolution No. 15-1053 in support of Arizona SONShine 2015 event.

- b) Consideration and possible action to accept the Comprehensive Annual Financial Report and the Annual Expenditure Limitation Report for the fiscal year ended June 30, 2014, as prepared by Hinton Burdick, CPAs & Advisors. (Joe Duffy, Finance Director)

Recommended Action: Accept the Comprehensive Annual Audited Financial Report and the Annual Expenditure Limitation Report for the fiscal year ended June 30, 2014, as prepared by Hinton Burdick, CPAs & Advisors.

- c) Discussion regarding state law requirements for removing a Council-appointed Commissioner, Committee or Board Member. (Mayor Marley)

8) **EXECUTIVE SESSION**

Council may vote to recess the Regular Meeting and hold an executive session, which will not be open to the public, for the following purposes.

- a) An executive session pursuant to A.R.S. § 38-431.03(A)(3) for discussion or consultation for legal advice with the Town Attorney regarding state law requirements for removing a Council-appointed Commissioner, Committee or Board Member. (Councilmembers Hatch, McKee, Wojcik)
- b) An executive session pursuant to A.R.S. § 38-431.03(A)(3) for discussion or consultation for legal advice with the Town Attorney regarding legal issues and potential liabilities raised by the Town's use of social media. (Councilmembers Hatch, McKee, and Wojcik)

9) ACTION ITEMS RESUMED

After the Executive Session, Council will reconvene the Regular Meeting.

- a) Consideration and possible action with regard to the Town's use of social media. (Councilmembers Hatch, McKee, and Wojcik)

10) ADJOURNMENT

Dated this 22nd day of January, 2015.

By: **Jami C. Lewis, Town Clerk**

The Town of Chino Valley endeavors to make all public meetings accessible to persons with disabilities. Please call 636-2646 (voice) or 1-(800) 347-1695 (Arizona Relay Service) 48 hours prior to the meeting to request a reasonable accommodation to participate in this meeting.

Supporting documentation and staff reports furnished to the Council with this agenda are available for review on the Town website at <http://www.chinoaz.net/clerk/townagenda.shtml>, and in the Public Library and Town Clerk's Office.

CERTIFICATION OF POSTING

The undersigned hereby certifies that a copy of this notice was duly posted at Chino Valley South Campus, Chino Valley Post Office, and Chino Valley North Campus in accordance with the statement filed by the Town Council with the Town Clerk.

Date: _____ Time: _____ By: _____
Jami C. Lewis, Town Clerk

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TOWN OF CHINO VALLEY COUNCIL AGENDA ITEM STAFF REPORT

Town Council Regular Meeting

Item No. **2. b.**

Meeting Date: 01/27/2015
Contact Person: Ron Grittman, Town Engineer
Phone: 928-636-2646 x-1223
Department: Public Works
Estimated length of Staff Presentation: 5 minutes
Physical location of item: N/A

AGENDA ITEM TITLE:

Consideration and possible action to review a presentation of the Parks and Recreation Advisory Board by Members of the Board.

SITUATION & ANALYSIS:

See attached presentation

Attachments

PRAB Presentation



Parks & Recreation Advisory Board Short Term - 18 to 24 Month Priority Plan

For Desired Implementation February 2015





Parks & Recreation Advisory Board

2014 Short Term Planning 18 to 24 Month Priority Plan

Parks and Recreation Advisory Board Members (PRAB) – 2014/2015:

Todd League (Chairman), Carrie Barnes, Celia Vandermolen, Eric Smith,
Donna Armstrong, George Cooper

Staff Support:

Chris Bartels, Utilities Supervisor

Town Council Participation:

Councilman Lon Turner

Councilman Mike Best



2014 Short Term Planning



18 to 24 Month Priority Plan

Introduction & Purpose

The Town of Chino Valley currently has some excellent parks and recreation facilities within its portfolio, partially due to the Town's vision and perseverance in seeking grants and fundraising during good economic times. The Town was also one of the first government entities in Arizona to successfully complete a rails-to-trails project with the Town's Peavine Trail in the early 1990s.

The Town of Chino Valley – General Plan identifies the need for a future master plan for Parks & Recreation to guide the Town into the future. Since a master plan typically requires budgeting for a consultant, with an emphasis on long-range capital improvement projects, Parks & Recreation Advisory Board (PRAB) recognized an immediate need to summarize and analyze current needs within the Town, and undertook a short-term, priority planning process. A short-term, priority planning process such as this also allows the Town to better qualify for various grants that may become available, such as, the Heritage Fund (i.e., AZ Lottery Revenues) and numerous foundation grants available. A short-term, priority planning process also provides guidance for subcommittees under PRAB.

This effort guides Town (parks) staff in where to direct their energies, as well as, the focus for the Parks and Recreation Advisory Board in their volunteer endeavors.



Parks & Recreation Advisory Board

2014 Short Term Planning



18 to 24 Month Priority Plan

Criteria

PRAB agreed that only realistic, tangible, and time-sensitive items be evaluated, such as the following:

- Items that are already designed, but not yet constructed
- Safety-related and/or recommended Americans with Disabilities Act (A.D.A.) accessibility upgrades
- Completion of partially-completed park phases
- Park and facility features that have demonstrated participation and/or potential
- Items that possess revenue-generating potential for the Town
- PRAB also agreed that some success may be entirely contingent upon PRAB “shouldering” the workload and/or recruiting individuals and organizations to undertake, and seeking out donations to complete.



Parks & Recreation Advisory Board

2014 Short Term Planning



18 to 24 Month Priority Plan

Process

Late 2013 – early 2014

- Identified locations, projects, needs, priorities, and opportunities

Spring 2014

- Scoring, ranking, and consolidating ideas

Summer 2014 to present

- For items on final list, identifying the most basic needs of each, potential future phases, and costs

At this time, no Town funding is being requested. This information could aid in future budget requests for a few selected items better accomplished by staff. While it is not realistic to accomplish all items within 24 months, PRAB desires that each item begin some level of progress within the 24-month timeline.

For each item, PRAB has identified who will be in the lead role and/or responsible party, and possible funding sources to accomplish. Where PRAB is identified in the lead role, this can include PRAB members recruiting organized groups and interested parties. This planning exercise and associated public awareness can greatly help the Town and non-profit organizations score high on grants that would be pursued. With respect to grants, options shall be explored for grant applications to be submitted by a 501©(3) non-profit organization, as this increases funding opportunities from various foundations.

Items identified by the Parks & Recreation Advisory Board as being most important (i.e., in order of priority ranking) are as follows, to include objectives, responsible party, possible funding sources, details, phases, and approximate costs.



Parks & Recreation Advisory Board

2014 Short Term Planning

18 to 24 Month Priority Plan

New Skatepark

Objective: To provide a high quality skatepark for the youth of Chino Valley.

In addition to securing funding and donations of materials and labor for the designed skatepark, additional desired amenities include sports court lighting, benches, shade trees, a parks rules & regulations sign, and drinking fountains.

Responsible Party: Joint effort – Staff and PRAB

Possible Funding Sources: business donations, foundation grants, naming rights

Approximate Cost: \$855,000 (with opportunities for in-kind Town resources)



CHINO VALLEY SKATEPARK
FINAL CONCEPT



Other sample desired amenities



Drinking Fountains

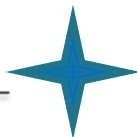


Park Benches



Parks & Recreation Advisory Board

2014 Short Term Planning



18 to 24 Month Priority Plan

Peavine Trail

Objective: To improve, create awareness, and increase use of one of Arizona's first rails-to-trails projects. PRAB also recommends re-visiting the Town's trails plan as time allows.

Existing Town Section – Tread upgrades (i.e., cinders removed, and tread graded to make bicycle-friendly), signage at access points, benches, dog waste bag dispensers, possible shade-rest area, and possible educational signage

Responsible Party: Staff for tread grading & PRAB for all other items

Possible Funding Sources: business donations, scouting projects, Bikes Belong Grants

Approximate Cost: \$3,000 +/-



Current and desired tread conditions



Trail entrance (road) signs



Trail amenities (i.e., pet waste bag dispensers, benches, informational and educational signage)

Southbound Expansion – Former railroad grade three miles south from Road 4 South alignment:

This final three-mile gap completes all three communities being interconnected via former railroad corridors for use as recreation and transportation trails.

Approximate Cost: Unknown – acquisition or easement could occur via development agreement with Town of Chino Valley or City of Prescott.



Parks & Recreation Advisory Board

2014 Short Term Planning



18 to 24 Month Priority Plan

Community Center Park Playground

Objective: To improve the existing playground for safety and recommended A.D.A. accessibility. Improvements include grading and terracing, removal of sand (i.e., that does not meet A.D.A.), and installation of borders and engineered wood fiber (a.k.a. Fibar) for a fall surface that complies with ADA.

Responsible Party: Joint effort – Staff and PRAB

Possible Funding Sources: Grants for ADA compliance, business donations, scouting project

Approximate Cost: \$15,000 +/-



**Current Community Center
Park Playground and Fall Surface Material**



**Desired engineered wood fiber (a.k.a. Fibar)
and borders (i.e., treated lumber or composite)**

Future efforts shall explore replacing aging equipment.



Parks & Recreation Advisory Board

2014 Short Term Planning

18 to 24 Month Priority Plan

Aquatics Facility – Safety and Rental Upgrades

Objective: To make modifications to existing ingress-egress for safety and greater rental appeal. Improvements to occur in phases include fencing on north end of building thereby building ingress-egress is within fences complex, and fencing and shade structures for greater appeal and function for facility rentals (i.e., revenue to Town).

Responsible Party: Joint effort – Staff and PRAB

Possible Funding Sources: Civic groups, business donations, naming rights

Approximate Costs: Safety- \$1,500 Upgrade & Shade - \$3,500



North end of building –
add fencing to secure north ingress-egress



South end of building – add shade structures outside
of south meeting room, and modify room
for possible rental revenue (i.e., birthday parties, etc.)



Parks & Recreation Advisory Board

2014 Short Term Planning



18 to 24 Month Priority Plan

Multi-Purpose Building (former Head Start School)

Objective: As a complimentary feature to the Town's major recreation complex, that will see increased visitation in the coming years, determine the full potential for this building for recreation use, to be managed by the Town.

PRAB is requesting six months to prepare the full potential of the multi-purpose building for recreation use for revenue to the Town, for presentation to the Town Council in late summer.

This includes various recreation programs and rental uses, and associated revenue benefits to the Town. This also includes identifying minor upgrades to increase the building's potential, to include an outdoor west courtyard area for weddings and other functions.

Responsible Party: PRAB

Possible Funding Sources: To be explored during research process.

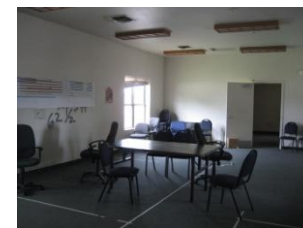
Approximate Cost: To be determined by late spring 2015.



Building Exterior – explore a shaded and landscaped courtyard area for weddings and other events



Building interior – identify all types of revenue and uses for rentals and future programming by the Town and/or non-profit organization partner





Parks & Recreation Advisory Board

2014 Short Term Planning

18 to 24 Month Priority Plan

Community Center Park - Dog Park

Objective: To add additional amenities to the existing dog park to increase its appeal and use.

These amenities include, but are not limited to the following: A small shade structure with low-maintenance picnic tables, shade trees, benches, dog waste bag dispensers, tunnels and other amenities for dog's enjoyment, and signage (i.e., rules and etiquette).

Responsible Party: PRAB

Possible Funding Sources: Business donations, foundation grants, naming rights, scouting projects

Approximate Costs: Shade Structure - \$3,500 - \$18,000

Benches & Tables - \$5,000



Current Dog Park



Sample shade structures



**Drinking fountain with pet fountain,
recycled plastic benches,
pet waste bag dispensers**



Parks & Recreation Advisory Board

2014 Short Term Planning

18 to 24 Month Priority Plan

Community Center Park – Sand Volleyball Complex

Objective: To construct new sand volleyball courts at the location of the former maintenance yard (i.e., being vacated) to serve the residents of Chino Valley, and bring revenue via tournaments.

NOTE: This would be the only public & functional sand volleyball complex in the Quad-Cities area

A design has been completed to provide a multi-court complex that would serve volleyball leagues, as well as, tournaments bringing revenue to the Town. Amenities include standards, nets, pads, borders, sand (similar to beach sand), benches, drinking fountain, and possible shade feature. A future phase would include court lighting.

Responsible Party: PRAB

Possible Funding Sources: Business donations, foundation grants, naming rights

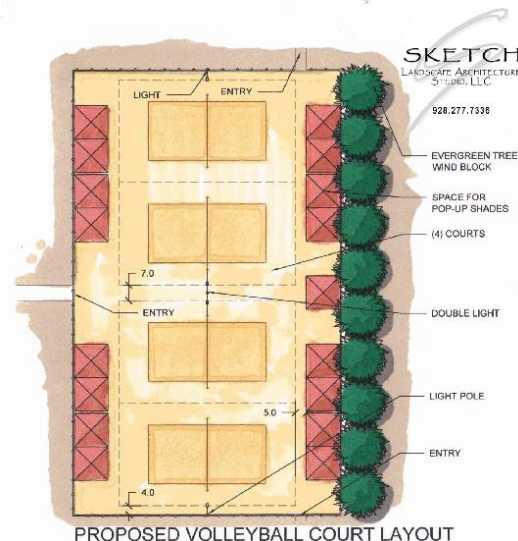
Approximate Cost: \$20,000



Desired location is current maintenance yard being relocated



Desired design



Other desired amenities:





Parks & Recreation Advisory Board

2014 Short Term Planning



18 to 24 Month Priority Plan

Memory Park - Playground

Objective: To improve existing playground to benefit Chino Valley youth, and rentals of the adjacent ramada.

The current playground for two-to-five year olds is currently lacking borders and adequate fall protection. The first phase entails installation of borders and engineered wood fiber (a.k.a. Fibar) for a fall surface that complies with A.D.A.

Responsible Party: Staff and PRAB

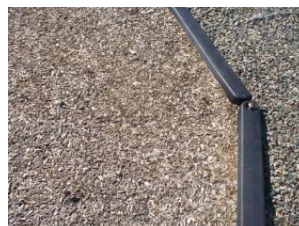
Possible Funding Sources: Business donations, foundation grants, naming rights, A.D.A compliance

Approximate Cost: \$10,000 +/-

grants



Current Playground



Sample borders and fall safety material

A future phase would include adding a playground feature for five-to-twelve year olds, with installation of borders and engineered wood fiber (a.k.a. Fibar) for a fall surface that complies with A.D.A.

Responsible Party: PRAB

Possible Funding Sources: Business donations, foundation grants, naming rights

Approximate Cost: \$50,000 to \$85,000 depending on size and features



Sample five-to-twelve-year-old playground



Parks & Recreation Advisory Board

2014 Short Term Planning



18 to 24 Month Priority Plan

Memory Park – Existing Restroom

Objective: To modernize the existing restroom, improve A.D.A. compliance, and create a safer environment for all users. The current restroom is in need of remodeling to ensure vandal resistance, low maintenance, better visibility and safety, and improve water conservation.

Responsible Party: Staff

Possible Funding Sources: To be determined

Approximate Cost: \$18,000 +/-



Current men's & women's restrooms



**Explore possible utility savings features:
waterless urinals, motion-detected timed hand dryers,
& motion-detected timed spigots**

Details of future desired remodel are being developed



Parks & Recreation Advisory Board

2014 Short Term Planning



18 to 24 Month Priority Plan

Recreation Programming and Special Events

Objective: To continue a tradition of successful special events, accommodate new events, and create new recreation and sports programs based upon demand, and surveys of residents.

The PRAB recommends continuation of the annual Springfest combined with the Grinder Race, 4th of July event, Territorial Days, and Halloween event at Memory Park. PRAB also recommends researching feasibility of a new Christmas-themed event, and identifying organizations and individuals who can lead various programmed recreation activities and sports throughout the year.

Responsible Party: PRAB

Possible Funding Sources: Business and non-profit donations, registration and rental fees

Approximate Costs: Costs to Town minimal as organizations would provide funding.



Sample Competitive
Events





Parks & Recreation Advisory Board

2014 Short Term Planning



18 to 24 Month Priority Plan

Community Center Park – Phase III Completion - Pavilion

Objective: To design and build a pavilion (ramada) for group rentals as originally envisioned.

A space still remains for a shade pavilion (ramada) that can be rented for a variety of rentals, as a revenue source for the Town.

Responsible Party: Staff and PRAB

Possible Funding Sources: Fundraising, \$10,000 from Yavapai-Prescott Indian Tribe via Chino Valley

Approximate Cost: \$18,000 +/-

Recreation Foundation



**Pavilion location as seen from playground area –
Dog park is to the right**



**Sample pavilion for groups of 25 or smaller –
many steel and wood designs exist**



Parks & Recreation Advisory Board

2014 Short Term Planning

18 to 24 Month Priority Plan

Park Volunteer Program (a.k.a. Stewards or Rangers)

Objective: To develop a comprehensive volunteer program for the Town of individuals dedicated to the parks and trails, to ensure safe and well maintained recreational facilities.

Volunteers would be recruited, trained, supervised, and rewarded for performing a variety of maintenance and patrol functions, assisting with special events, and providing a presence in the parks in attempt to provide public relations and deter vandalism.

Responsible Party: PRAB

Possible Funding Sources: Seek private sector or foundation monies to underwrite the program.

Approximate Cost: \$15,000 startup costs + staff support



Sample duties and training session for stewards/rangers



Parks & Recreation Advisory Board

2014 Short Term Planning



18 to 24 Month Priority Plan

Community Center Park - Ballfield Lighting - Two South Fields of Four-Plex Sports Facility –

Objective: To add “Green Technology – Musco Sports Lighting” to two remaining fields at the four-plex. Adding ballfield lights to the two remaining fields would allow the Town to attract more sports tournaments, with many revenue benefits to the Town (i.e., since these visitors can stay multiple nights). Ballfield lights will also benefit future sports and associated leagues. “Green Technology – Musco Sports Lighting” uses considerable less electricity than traditional ballfield lights, and better directs the light, thereby reducing light pollution that affect neighborhoods. Lighting could also be designed to benefit the proposed adjacent sand volleyball complex for tournaments at that site.

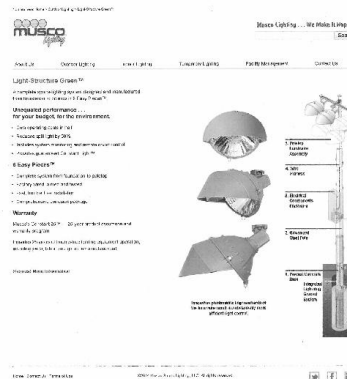
Responsible Party: PRAB

Possible Funding Sources: Grants from Baseball Tomorrow Fund and U.S. Soccer Foundation, foundation grants, Arizona Public Service Company

Approximate Cost: \$140,000



Two south fields in need of lights



Standard Musco Lighting



With the entire 4-plex being lit, the Town could attract large-scale tournaments, with the associated economic benefits



Parks & Recreation Advisory Board

2014 Short Term Planning



18 to 24 Month Priority Plan

Stage Shade Structure – Community Center Park

Objective: To design and construct shade over existing stage at Community Center Park to benefit performers. Shade is needed at the stage to provide adequate protection for the performers, and a design would be accomplished to be complimentary to the Community Center Park.

Responsible Party: PRAB

Possible Funding Sources: Business donations, naming rights, civic groups

Approximate Cost: \$3,500 +/-



Existing Stage Area Adjacent to Sports Fields



Sample Stage Shade Structures



Parks & Recreation Advisory Board

2014 Short Term Planning



18 to 24 Month Priority Plan

Center Street Park

Objective: To add park-related features to the existing site.

PRAB recommends minimal amenities to include (recycled plastic) benches and one picnic table.

Responsible Party: PRAB

Possible Funding Sources: Business donations, civic groups, scouting projects

Approximate Cost: Not to exceed \$1,500



Recycled plastic benches



Concrete picnic tables



Parks & Recreation Advisory Board

2014 Short Term Planning



18 to 24 Month Priority Plan

Memory Park/Library - Pedestrian Improvements

Objective: To create more safety for pedestrians travelling between Memory Park and the library. Improvements to this area could include signage such as “Slow-Pedestrians” and possibly a crosswalk.

Responsible Party: Staff

Possible Funding Sources: Future Town budget

Approximate Cost: \$1,000 +/-





Parks & Recreation Advisory Board

2014 Short Term Planning



18 to 24 Month Priority Plan

Summary and Conclusion

This presentation was designed to capture collective realistic and feasible objectives to accomplish the following:

- Increase safety and A.D.A. accessibility within existing areas
- Complete projects already in progress, or previously planned
- Begin identified projects and programs
- Improve standards for existing park and trail amenities
- Explore revenue opportunities for the Town
- Demonstrate a planning process to aid in seeking grants and donations
- Contribute to the overall quality of life within the Town of Chino Valley, and its future generations, as well as, attract new residents.

At this time, the Parks and Recreation Advisory Board respectfully requests Town Council support to move forward with the recommendations found within this presentation, with implementation in February 2015.

Thank you.

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TOWN OF CHINO VALLEY COUNCIL AGENDA ITEM STAFF REPORT

Town Council Regular Meeting

Item No. **6. a.**

Meeting Date: 01/27/2015

Contact Person: Jami Lewis, Town Clerk

Phone: 928-636-2646 x-1208

Department: Town Clerk

Item Type: N/A

AGENDA ITEM TITLE:

Consideration and possible action to accept the January 13, 2015 regular meeting minutes. (Jami Lewis, Town Clerk)

RECOMMENDED ACTION:

Accept the January 13, 2015 regular meeting minutes.

Attachments

January 13, 2015 minutes

DRAFT

MINUTES OF THE REGULAR MEETING OF THE TOWN COUNCIL OF THE TOWN OF CHINO VALLEY

**TUESDAY, JANUARY 13, 2015
6:00 P.M.**

The Town Council of the Town of Chino Valley, Arizona, met for a Regular Meeting in the Chino Valley Council Chambers, located at 202 N. State Route 89, Chino Valley, Arizona, on Tuesday, January 13, 2015.

Present: Mayor Chris Marley; Vice-Mayor Darryl Croft; Councilmember Mike Best; Councilmember Linda Hatch; Councilmember Pat McKee; Councilmember Lon Turner; Councilmember Don Wojcik

Staff Present: Town Manager Robert Smith; General Services Director Cecilia Grittmann; Town Attorney Phyllis Smiley; Finance Director Joe Duffy; Police Officer Todd Hyslip; Town Engineer/Public Works Director Ron Grittmann; Development Services Director Ruth Mayday; Town Clerk Jami Lewis (recorder)

1) CALL TO ORDER, INVOCATION; PLEDGE OF ALLEGIANCE; ROLL CALL

Mayor Marley called the meeting to order at 6:00 p.m.

Vice-Mayor Croft gave the invocation; Mayor Marley led the Pledge of Allegiance.

2) INTRODUCTIONS, PRESENTATIONS, AND PROCLAMATIONS

- a) Presentation of Government Finance Officers Association (GFOA) Budget Award for FY 2014/2015. (Mayor Marley)

Mayor Marley presented the GFOA budget award to the Town's Finance Department staff.

3) CALL TO THE PUBLIC

Call to the Public is an opportunity for the public to address the Council concerning a subject that is not on the agenda. Public comment is encouraged. Individuals are limited to speak for three (3) minutes. The total time for Call to the Public may be up to 30 minutes per meeting. Council action taken as a result of public comment will be limited to directing staff to study the matter, scheduling the matter for further consideration and decision at a later date, or responding to criticism.

Norman Freeman, resident, spoke about Town regulations being anti-agribusiness and citizens willing to participate revising the UDO.

4) **RESPONSE TO THE PUBLIC**

Response to the Public is an opportunity for the Mayor to inform the public about how Town officials addressed matters raised during Call to the Public at a previous meeting.

There were no responses to report.

5) **CURRENT EVENT SUMMARIES AND REPORTS**

This item is for information only. The Mayor, any Councilmember, or Town Manager may present a brief summary or report of current events, or ask a staff member to provide the same. Presentation on information requested by the Mayor and Council will be made and questions answered. No action will be taken.

Councilmember Hatch reported on a recent Yavapai Regional Medical Center Nomination Committee meeting.

Mayor Marley read a letter of commendation from a Keno Road resident to the Town regarding a roadway patch. Mayor Marley also re-read his December Monthly Mayor's report, which pertained to the bond election results and its effects on the Town's fiscal condition.

- a) Status report by Town Manager Robert Smith regarding Town accomplishments, and current or upcoming projects.

Mr. Smith reported that staff was looking forward to more successes in the New Year.

6) **CONSENT AGENDA**

All those items listed below are considered to be routine and may be enacted by one motion. Any Councilmember may request to remove an item from the Consent Agenda to be considered and discussed separately.

Council set down item 6c.

MOVED by Vice-Mayor Darryl Croft, seconded by Councilmember Mike Best to approve Consent Agenda items a and b.

Vote: 7 - 0 PASSED

- a) Consideration and possible action to accept the December 9, 2014 regular meeting minutes. (Jami Lewis, Town Clerk)
- b) Consideration and possible action to accept the December 16, 2014 regular meeting minutes. (Jami Lewis, Town Clerk)
- c) Consideration and possible action to approve Financial Report for the month ended November 30, 2014. (Joe Duffy, Finance Director)

Councilmember Hatch asked about transfers into the enterprise funds. Mr. Duffy related that from July to June 2014, losses of \$116,000 in the Water Fund were being covered by transfers from the Capital Improvements Fund. The Sewer Fund was using carryovers rather than transfers to cover its losses.

MOVED by Vice-Mayor Darryl Croft, seconded by Councilmember Mike Best to approve Consent Agenda item c.

Vote: 7 - 0 PASSED

7) ACTION ITEMS

- a) Consideration and possible action to spend up to \$46,775 of Contingency Funds to fund a full-time Human Resources Director position for FY 2014/15. Position will be included in FY 2015/16 budget. (Cecilia Grittmann, General Services Director)

Recommended Action: Approve up to \$46,775 of Contingency Funds to fund a full-time Human Resources Director position for FY 2014/15.

Ms. Grittmann reported that:

- The Town had not had a Human Resources (HR) Director since March 2011. In May 2011, Council created an HR Analyst position that reported to the General Services Director. One of Council's goals for the town manager this fiscal year was to fill an HR Director position.
- The annual wage range for the position was \$79,000-\$103,000, which was the recommended range from the comp and class study done a few years ago. She did not recommend adjusting the range, as it would cause internal inequities and would not be responsible toward the whole compensation plan.
- The person hired would report directly to the town manager.

Council discussion: Council discussed adjusting the range to save money, as well as class studies being a market issue and not being able to obtain certain expertise without adequate pay.

MOVED by Vice-Mayor Darryl Croft, seconded by Councilmember Mike Best to approve up to \$46,775 of Contingency Funds to fund a full-time Human Resources Director position for FY 2014/15.

Vote: 7 - 0 PASSED

- b) Consideration and possible action to adopt Resolution No. 15-1053 in support of Arizona SONShine 2015, a free health services event in the Quad-cities area to be held June 17-18, 2015. (Cecilia Grittmann, General Services Director)

Recommended Action: Adopt Resolution No. 15-1053 in support of Arizona SONShine 2015 event.

Ms. Grittmann's staff report stated that:

- The Town was approached to help support Arizona SONShine, a free health services event being held in Prescott Valley, to benefit the citizens in the quad-cities area.
- The sponsoring organization was the Arizona Conference Corporation of Seventh-Day Adventists, an Arizona non-profit corporation. While the Town's role will not be significant, it could assist with arranging transportation, police coverage, or advertising.

- Council had asked for the Town to support this event and the subject resolution formalized said assistance.

A Councilmember expressed concern about possible risk and asked staff to obtain details on insurance coverage, possible Town staff to be involved, and transit services.

Russell Duerksen, representing the sponsor, stated that they were not looking for cash benefits; all volunteers and participants were covered by insurance through the Town of Prescott Valley; and they were only asking for the Town assist with accessing residents in the Town who would benefit from the event.

MOVED by Vice-Mayor Darryl Croft, seconded by Councilmember Pat McKee to table this item to the next meeting and for staff to work with Mr. Duerksen on these issues.

Vote: 7 - 0 PASSED

- c) Consideration and possible action to adopt Ordinance No. 15-792, amending the Town of Chino Valley, Arizona Town Code Title V Public Works, Chapter 51 Utility fees, by amending Sections 51.250 Utility Service Deposits and 51.261 Fees and Assessments Due clarifying termination of utility services. (Ron Gritman, Public Works Director/Town Engineer)

Recommended Action: Adopt Ordinance No. 15-792 amending Chapter 51 of the Town of Chino Valley Town Code.

Mr. Gritman and Town Attorney Smiley reported that:

- The subject ordinance clarified the Town's authority to charge a monthly base sewer fee, whether or not a property was currently using the service, as long as the toilet was hooked up.
- This had been the Town's practice, but it was recently called into question and a hearing officer determined that the Town Code did not support it. Since the officer's determination was not appealable, staff was changing the code to comply.
- The ordinance will also bring the Town into compliance with other municipalities that had non-metered utility services. Sewer was an un-metered service, and as such, the Town had no way to know whether or not sewer was being used. With current technology, it was not practical to attempt to meter it.
- The ongoing problem with some homeowners finding ways to disable the elder valves would not be fixed by this ordinance, but it will make it easier for staff to enforce this portion of the code. Staff was also in the process of revising all of Town Code Title V Public Works to comply with changes in state law.
- As there were restrictions under state law on what the Town could recover from closed accounts with outstanding balances, some dollars were not recoverable. Legally, whoever signed the contract for service was the responsible party; typically, this was the property owner.
- While the Town had not dealt with any foreclosures, some accounts had been written off due to bankruptcies. About three years ago, the Town began filing liens against properties with amounts owing.

Town Manager Smith added that staff had worked with Yavapai Title to ensure as much as possible that these liens were part of the escrow process.

Council comments:

- It was time consuming to file liens.
- Home vacancies and sewer billing had not been handled consistently in the past.

Ms. Smiley advised that she would research owner versus tenants as the contracting party.

MOVED by Vice-Mayor Darryl Croft, seconded by Councilmember Lon Turner to adopt Ordinance No. 15-792 amending Chapter 51 of the Town of Chino Valley Town Code.

Vote: 4 - 3 PASSED

NAY: Councilmember Linda Hatch
Councilmember Pat McKee
Councilmember Don Wojcik

- d) Review and discussion regarding the Council Appointments Subcommittee's recommendations pertaining to the Position Description and selection process for the position of Planning and Zoning Commissioner, as well as proposed amendments to the Unified Development Ordinance (UDO) Section 1.4 Planning and Zoning Commission; and possible action to direct staff to revise the procedural documents and draft an ordinance amending Unified Development Ordinance Section 1.4. (Appointments Subcommittee)

Recommended Action: Review Position Description, selection process, and proposed UDO amendments; and direct staff and/or Subcommittee.

Vice-Mayor Croft reported that:

- On November 18, 2014, Mayor Marley and Vice-Mayor Croft brought an item to Council to discuss developing a 'job description' for prospective Planning and Zoning Commissioners and changing the procedure for appointing members to the Commission. Council referred the matter to the Appointments Subcommittee for discussion and recommendation.
- The Subcommittee met on December 4, 2014 and reviewed desired qualifications and training, as well as the selection process. Development Services Director Ruth Mayday also spoke to the Subcommittee about amending UDO Section 1.4 to provide guidelines to Council for appointment and removal of candidates.

Council discussion:

- Generally, Council had no objection to the proposed 'position description.'
- They did recommend that the requirement for attendance at a citizens academy within 12 months be revised by adding the caveat "if one is scheduled."
- There was some debate as to whether or not state law required a hearing or notice for removing a person from a public body position.

MOVED by Vice-Mayor Croft, seconded by Councilmember Best to approve position description and selection process and proposed UDO amendment, and direct staff and subcommittee to use that with amendment as scheduled.

Town Attorney Smiley advised that the UDO amendments were a discussion-only item and staff's recommendation was to give them or the subcommittee direction.

Vice-Mayor Croft and Councilmember Best WITHDREW their motion and second.

8) EXECUTIVE SESSION

Council may vote to recess the Regular Meeting and hold an executive session, which will not be open to the public, for the following purposes.

9) ACTION ITEMS RESUMED

After the Executive Session, Council will reconvene the Regular Meeting.

10) ADJOURNMENT

MOVED by Councilmember Don Wojcik, seconded by Vice-Mayor Darryl Croft to adjourn the meeting at 7:07 p.m.

Vote: 7 - 0 PASSED

Chris Marley, Mayor

ATTEST:

Jami C. Lewis, Town Clerk

CERTIFICATION:

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Regular Meeting of the Town Council of the Town of Chino Valley, Arizona held on the 13th day of January, 2015. I further certify that the meeting was duly called and held and that a quorum was present.

Dated this 27th day of January, 2015.

Jami C. Lewis, Town Clerk

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TOWN OF CHINO VALLEY COUNCIL AGENDA ITEM STAFF REPORT

Town Council Regular Meeting

Item No. 7. a.

Meeting Date: 01/27/2015
Contact Person: Cecilia Grittman, General Services Director
 Phone: 928-636-2646 x-1202
Department: General Services
Item Type: Action Item
Estimated length of staff presentation: 5 minutes
Physical location of item: N/A

AGENDA ITEM TITLE:

Consideration and possible action to adopt Resolution No. 15-1053 in support of Arizona SONShine 2015, a free health services event in the Quad-cities area to be held June 17-18, 2015.

RECOMMENDED ACTION:

Adopt Resolution No. 15-1053 in support of Arizona SONShine 2015 event.

SITUATION AND ANALYSIS:

The Town was approached to help support the Arizona SONShine event, a free health services event to benefit the citizens in the quad cities area. The event will be held at Tim's Toyota Center in Prescott Valley on June 17 & 18, 2015. The sponsoring organization is the Arizona Conference Corporation of Seventh-day Adventists, an Arizona non-profit corporation. The Arizona conference is a constituent conference of the General Conference of the Seventh-day Adventists, which holds the general 501 (c)3 exemption. The Town's role will not be significant. Areas where we might assist include: help to arrange transportation, we may provide a police officer for one or both days, we may assist in advertising for the event. The subcommittees have been formed for the event and they will be reaching out to all the communities once they have identified where they will need some assistance. The Council has asked for the Town to support this event, and Resolution 15-1053 formalizes this assistance. The sponsoring organization will be naming Chino Valley, as well as all other government participating agencies, as additional-insured on their liability policy for this event. This Certificate of Insurance endorsement will be produced and on file with the Town in the May, 2015 timeframe, before the event occurs.

Fiscal Impact

Fiscal Impact?: none

If Yes, Budget Code:

Available:

Funding Source:

Attachments	
<u>Resolution No. 15-1053</u>	

RESOLUTION NO. 15-1053

A RESOLUTION OF THE MAYOR AND COMMON COUNCIL OF THE TOWN OF CHINO VALLEY, COUNTY OF YAVAPAI, ARIZONA, EXPRESSING AND PROVIDING SUPPORT FOR THE ARIZONA SONSHINE HEALTH SERVICES EVENT; PROVIDING FOR REPEAL OF CONFLICTING RESOLUTIONS; AND PROVIDING FOR SEVERABILITY

WHEREAS, there is a significant population of medically underserved citizens in Yavapai County in general, and within the boundaries of Chino Valley in particular; and

WHEREAS, Arizona SONShine-2015, and its lead sponsor, the Arizona Conference Corporation of Seventh-day Adventists, proposes to sponsor a free health services event in Yavapai County, at the Prescott Valley Event Center on June 17 and 18, 2015; and

WHEREAS, said event would be an excellent service to the citizens of Chino Valley;

NOW, THEREFORE, BE IT RESOLVED by the Mayor and Common Council of the Town of Chino Valley, County of Yavapai, Arizona, that

1. The Town of Chino Valley expresses its support for the Arizona SONShine-2015 health services event and agrees to be listed as a supporting organization for the event.

2. Staff of the Town will be directed to provide in-kind assistance to Arizona SONShine 2015 in areas that are deemed appropriate by the Town Manager, i.e. publicity, transportation, security, to facilitate the success of and maximize the accessibility of this event to those citizens of Chino Valley who would be most benefitted by the services provided by the Arizona SONShine event.

BE IT FURTHER RESOLVED that all resolutions or parts of resolutions in conflict with the provisions of this resolution are hereby repealed.

BE IT FURTHER RESOLVED that if any section, subsection, sentence, clause, phrase or portion of this Resolution is for any reason held to be invalid or unconstitutional by the decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portions thereof.

PASSED AND ADOPTED by the Mayor and Common Council of the Town of Chino Valley, Arizona this 13th day of January 2015.

Chris Marley, Mayor

ATTEST:

Jami C. Lewis, Town Clerk

APPROVED AS TO FORM:

Curtis, Goodwin, Sullivan, Udall & Schwab, PLC
Town Attorneys
By: Phyllis Smiley

I hereby certify the above foregoing Resolution No. 15-1053 was duly passed by the Council of the Town of Chino Valley, Arizona, at a regular meeting held on January 13, 2015, and that quorum was present thereat and that the vote thereon was ____ ayes and ____ nays and ____ abstentions. ____ Council members were absent or excused.

Jami C. Lewis, Town Clerk



TOWN OF CHINO VALLEY COUNCIL AGENDA ITEM STAFF REPORT

Town Council Regular Meeting

Item No. **7. b.**

Meeting Date: 01/27/2015
Contact Person: Joe Duffy, Finance Director
 Phone: 928-636-2646 x-1211
Department: Finance
Item Type: Action-Presentation
Estimated length of staff presentation: 10 minutes
Physical location of item: N/A

AGENDA ITEM TITLE:

Consideration and possible action to accept the Comprehensive Annual Financial Report and the Annual Expenditure Limitation Report for the fiscal year ended June 30, 2014, as prepared by Hinton Burdick, CPAs & Advisors.

RECOMMENDED ACTION:

Accept the Comprehensive Annual Audited Financial Report and the Annual Expenditure Limitation Report for the fiscal year ended June 30, 2014, as prepared by Hinton Burdick, CPAs & Advisors.

SITUATION AND ANALYSIS:

Hinton Burdick CPAs and Advisors was retained by the Town to complete the audit for the fiscal year ended June 30, 2014.

The audit has been completed, and the final reports have been issued.

The reports were reviewed by the Finance Committee on January 20, 2015.

Other Pertinent Documents Available Upon Request:

A printed copy of the report is being provided to Council and pertinent staff separately. The report will be available on the Town's website at <http://www.chinoaz.net/finance/budget.shtml>.

Fiscal Impact

Fiscal Impact?: None

If Yes, Budget Code:

Available:

Funding Source:

Attachments

CAFR 2014

2014 AELR

Findings and Recommendations

Town of Chino Valley, Arizona



Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2014



TOWN OF CHINO VALLEY, ARIZONA



Comprehensive Annual Financial Report

For Fiscal Year Ended June 30, 2014

Prepared by the Finance Department

Joe Duffy, Finance Director

TOWN OF CHINO VALLEY, ARIZONA

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Finance Department
202 N. State Route 89
Chino Valley, AZ 86323

(928) 636-2646
(928) 636-2144
www.chinoaz.net

November 28, 2014

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, 2014 is submitted herewith. This report was prepared by the Town's Finance Department, in conformity with accounting principles generally accepted in the United States of America (GAAP) as prescribed in pronouncement of the Governmental Accounting Standards Board (GASB).

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

The Town of Chino Valleys' financial statements have been audited by Hinton Burdick CPAs and Advisors, a firm of licensed certified public accountants. The goal of the independent audit is to prove reasonable assurance that the financial statements of the Town of Chino Valley for the fiscal year ended June 30, 2014 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, 2014 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, from Center Street to Road 5 South.

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

FINANCIAL INFORMATION

Internal Controls

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

Internal account controls are designed to provide reasonable, but not absolute, assurance regarding: (1) safeguarding of assets against loss from unauthorized use 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 last adopted the Local Alternative Expenditure Limitation in March 2013 to be used through June 2017.

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

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

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

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.

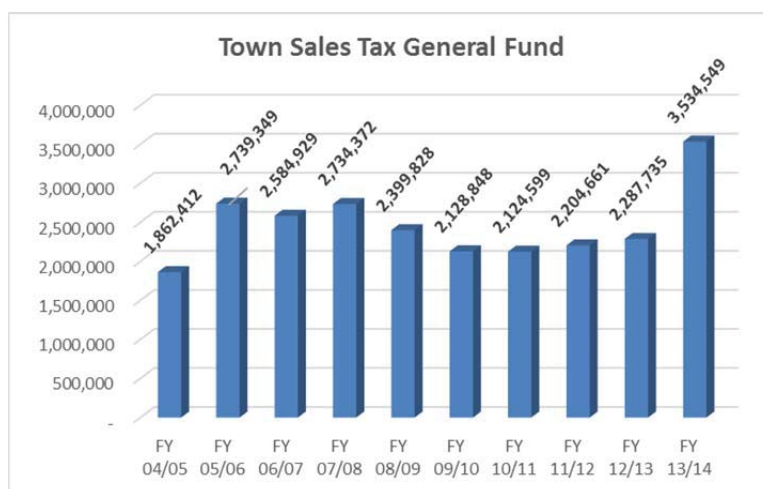
The economy of Chino Valley is a diverse combination of agriculture, manufacturing, commercial, government and service activities. Local indicators are pointing to stability, after several turbulent years during the economic downturn. All local excise taxes, state-shared revenue, state income tax and 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 2004/2005, Town Sales Tax was \$1,862,412, then rose to a high of \$2,739,349 in 2005/2006, 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.

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



Construction Sales Tax was a significant portion of the Town's tax collections during the housing boom from 2004 to 2008. Construction sales tax is also the most volatile and unstable. The graph to the right shows the fluctuations in construction sales tax from 2004/2005 to 2013/2014.

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 2014 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 Library Expansion and remodel project for \$163,918.
- The Town made improvements of \$251,994 to the Police Shooting Range and training facility for law enforcement agencies in Arizona, funded with grant and donated funds.
- The Town completed a public arts project installing bronze horse statues for \$250,000 at the roundabout located at Four South funded by a grant from the Arizona Department of Transportation.
- The Town completed a major road project at Road 4 South for \$562,611. The project was funded with Road Impact Fees.
- The Town upgraded the gas line on the south campus for \$100,186 with Capital Project Funds.

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

OTHER INFORMATION

Independent Audit

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

Acknowledgements

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

Respectfully submitted,

Joe R. Duffy, CPA Finance Director

TOWN OF CHINO VALLEY, ARIZONA



Comprehensive Annual Financial Report

For Fiscal Year Ended June 30, 2014

Town Council

Chris Marley, Mayor

Darryl L. Croft, Vice Mayor

Mike R. Best

Linda Hatch

Pat McKee

Lon Turner

Don Wojcik

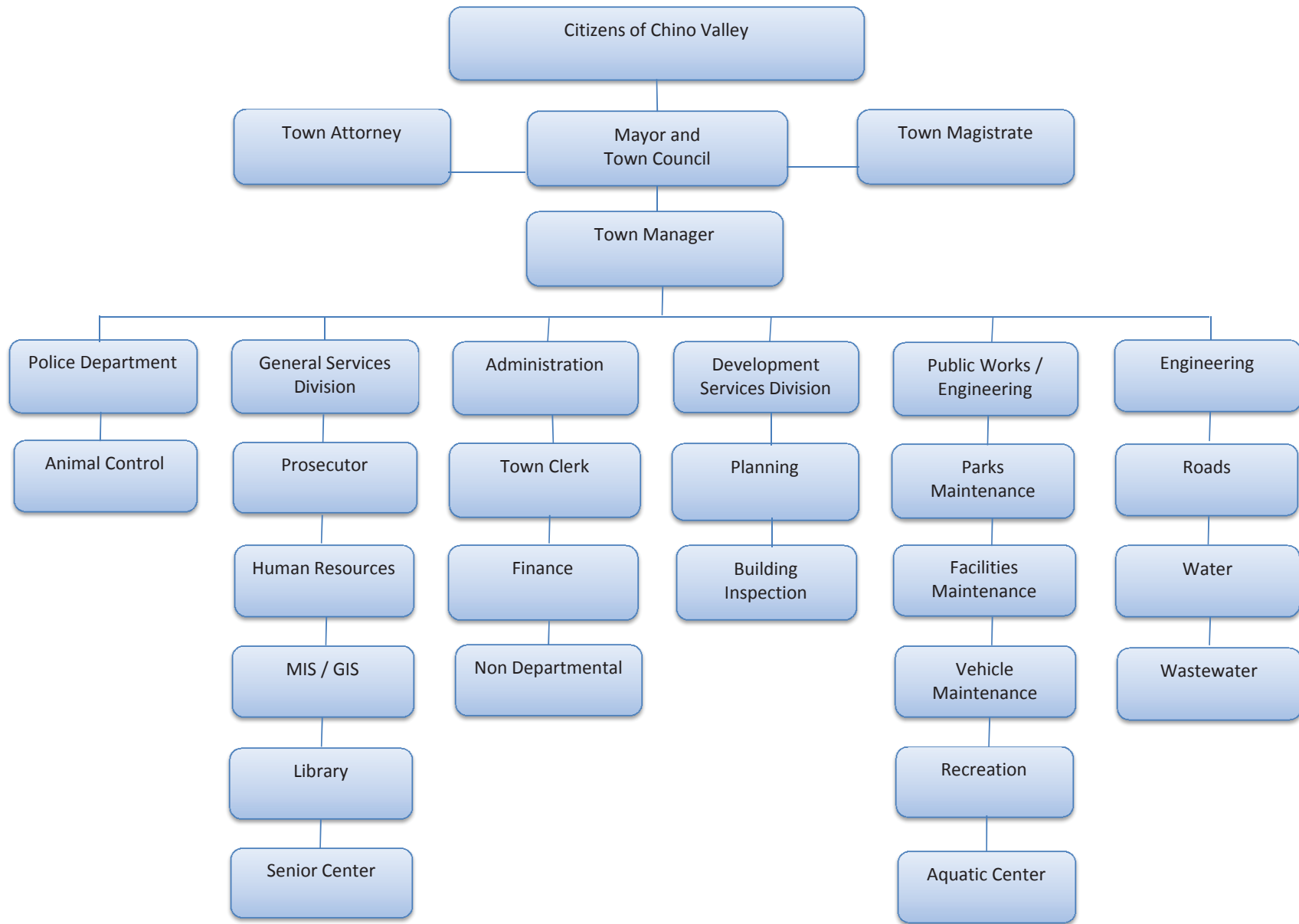
Town Manager

Robert Smith

Finance Director

Joe Duffy

Town of Chino Valley Organization Chart



FINANCIAL SECTION

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Independent Auditors' Report

The Honorable Mayor and
Town Council
Chino Valley, Arizona

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Chino Valley, Arizona, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Chino Valley, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison information for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Chino Valley's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2014, on our consideration of the Town of Chino Valley's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.



HintonBurdick, PLLC
Flagstaff, Arizona
December 15, 2014

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**TOWN OF CHINO VALLEY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2014**

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, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on page i of this report.

FINANCIAL ANALYSIS

- Total assets exceed total liabilities (net position) by \$22.39 million at the close of the fiscal year.
- Total net position decreased by \$138,598.
- Governmental taxes and other governmental revenues exceeded expenses by \$930,020.
- Business-type expenses, including transfers, exceeded total business-type revenues by \$1,068,618.
- Total revenues from all sources were \$12.28 million.
- The total cost of all Town programs was \$12.43 million.
- The General Fund reported excess revenue over expenditures and transfers of \$741,120.
- At the end of the current fiscal year, fund balance for the General Fund was \$4.05 million or 59.9% of total General Fund expenditures, excluding transfers.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

The government-wide financial statements can be found on pages 14-15 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Chino Valley,

like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town of Chino Valley can be divided into two categories: governmental funds and proprietary funds.

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

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

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

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

The basic governmental fund financial statements can be found on pages 16-21 of this report.

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

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

The basic proprietary fund financial statements can be found on pages 22-24 of this report.

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

Notes to the Financial Statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25-50 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the Town of Chino Valley's progress in funding its obligation to provide pension and OPEB benefits to its employees. Required supplementary information can be found on page 52 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and nonmajor governmental fund budgetary comparisons are presented immediately following the required supplementary information on pensions and OPEB. Combining and individual fund statements and schedules can be found on pages 54-67 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the Town's financial position. The Town's combined assets exceed liabilities by \$22.3 million as of June 30, 2014 as shown in the following condensed statement of net position. The Town has chosen to account for its water and sewer operations in an enterprise fund which is shown as Business Activities.

Town of Chino Valley, Arizona Statement of Net Position

	Governmental activities		Business-type activities		Total	
	6/30/2014	6/30/2013	6/30/2014	6/30/2013	6/30/2014	6/30/2013
Current and other assets	\$ 7,771,061	\$ 7,647,888	\$ (300,377)	\$ 69,826	\$ 7,470,684	\$ 7,717,714
Capital assets	14,277,428	13,522,149	30,398,946	31,601,449	44,676,374	45,123,598
Total assets	22,048,489	21,170,037	30,098,569	31,671,275	52,147,058	52,841,312
Deferred outflows of resources	629,216	692,138	-	-	629,216	692,138
Long-term liabilities outstanding	11,380,716	11,498,963	14,794,780	15,276,891	26,175,496	26,775,854
Other liabilities	815,359	811,602	3,393,525	3,415,502	4,208,884	4,227,104
Total liabilities	12,196,075	12,310,565	18,188,305	18,692,393	30,384,380	31,002,958
Net position:						
Net investment in capital assets	3,960,511	2,509,616	15,658,866	16,360,590	19,619,377	18,870,206
Restricted	3,331,847	3,556,297	637,600	524,391	3,969,447	4,080,688
Unrestricted	3,189,272	3,485,697	(4,386,202)	(3,906,099)	(1,196,930)	(420,402)
Total net position	\$ 10,481,630	\$ 9,551,610	\$ 11,910,264	\$ 12,978,882	\$ 22,391,894	\$ 22,530,492

Governmental Activities

The cost of all Governmental activities, excluding transfers, this year was \$9.1 million which is 1.0 million higher than last fiscal year. As shown on the statement of Changes in Net Position on the following page, \$531,428 was paid for by those who directly benefited from the programs; \$1,738,252 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 \$2.2 million. General taxes and investment earnings totaled \$8.03 million.

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

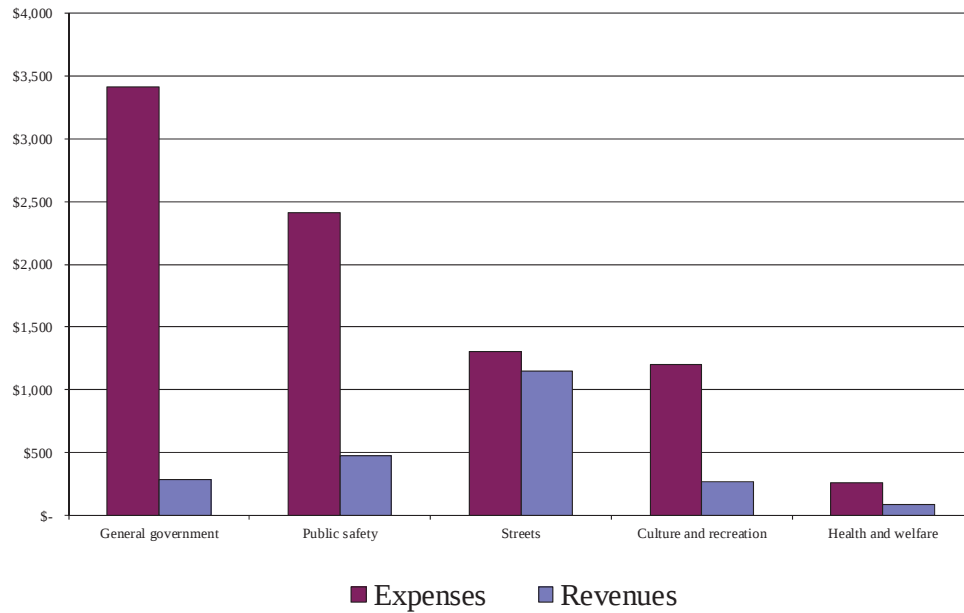
Town of Chino Valley, Arizona
Changes in Net Position

	Governmental activities		Business-type activities		Total	
	6/30/2014	6/30/2013	6/30/2014	6/30/2013	6/30/2014	6/30/2013
Revenues:						
Program revenues:						
Charges for services	\$ 531,428	\$ 824,737	\$ 1,598,962	\$ 1,508,954	\$ 2,130,390	\$ 2,333,691
Operating grants and contributions	1,144,777	1,006,900	-	-	1,144,777	1,006,900
Capital grants and contributions	593,475	1,003,311	367,470	114,730	960,945	1,118,041
General revenues:						
Taxes	6,824,466	5,468,823	-	-	6,824,466	5,468,823
Urban revenue sharing	1,205,692	1,104,933	-	-	1,205,692	1,104,933
Other revenue/(expense)	6,890	14,498	14,573	27,827	21,463	42,325
Total revenues	<u>10,306,728</u>	<u>9,423,202</u>	<u>1,981,005</u>	<u>1,651,511</u>	<u>12,287,733</u>	<u>11,074,713</u>
Expenses:						
General government	3,414,324	3,015,601	-	-	3,414,324	3,015,601
Public safety	2,414,104	2,472,409	-	-	2,414,104	2,472,409
Public works/Streets	1,301,632	721,841	-	-	1,301,632	721,841
Culture and recreation	1,200,623	1,198,383	-	-	1,200,623	1,198,383
Health and welfare	256,884	239,226	-	-	256,884	239,226
Interest on long-term debt	569,141	508,898	-	-	569,141	508,898
Water	-	-	809,977	733,396	809,977	733,396
Sewer	-	-	2,459,646	2,221,272	2,459,646	2,221,272
Total expenses	<u>9,156,708</u>	<u>8,156,358</u>	<u>3,269,623</u>	<u>2,954,668</u>	<u>12,426,331</u>	<u>11,111,026</u>
(Decrease) / Increase in net position before transfers	1,150,020	1,266,844	(1,288,618)	(1,303,157)	(138,598)	(36,313)
Transfers	<u>(220,000)</u>	<u>(362,988)</u>	<u>220,000</u>	<u>362,988</u>	<u>-</u>	<u>-</u>
(Decrease) / Increase in net position	930,020	903,856	(1,068,618)	(940,169)	(138,598)	(36,313)
Net position, beginning	9,551,610	8,194,387	12,978,882	14,102,205	22,530,492	22,296,592
Restatement adjustment	-	453,367	-	(183,154)	-	270,213
Net position, ending	<u>\$ 10,481,630</u>	<u>\$ 9,551,610</u>	<u>\$ 11,910,264</u>	<u>\$ 12,978,882</u>	<u>\$ 22,391,894</u>	<u>\$ 22,530,492</u>

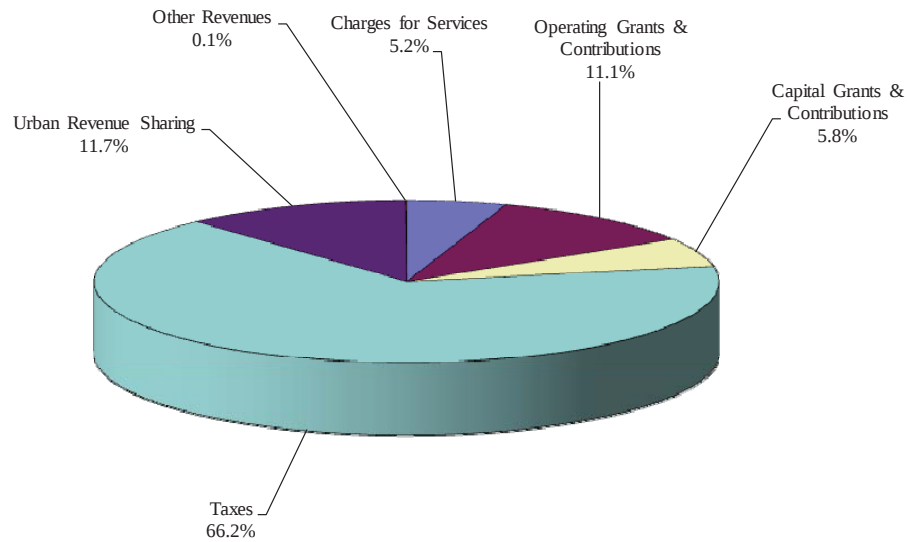
Total resources available during the year to finance governmental operations were \$19.8 million, consisting of net position at July 1, 2013 of \$9.6 million, program revenues of \$2.2 million and General Revenues of \$8.0 million. Total Governmental Activities during the year were \$9.1 million along with transfers to proprietary funds of \$220,000; thus Governmental Net Position was increased by \$930,000 million to \$10.48 million.

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

Expenses and Program Revenues - Governmental Activities
(in Thousands)



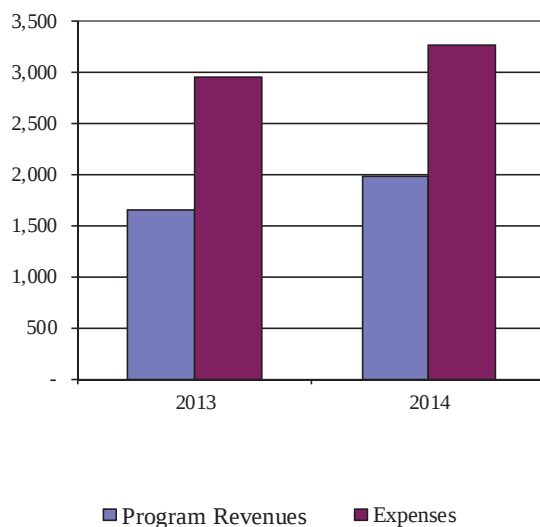
Revenue By Source - Governmental Activities



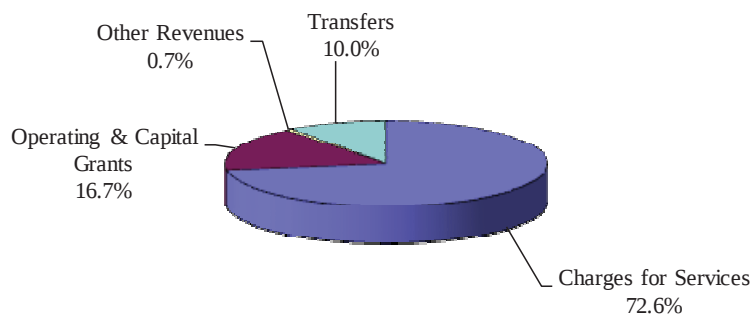
Business Type Activities

Net position of the Business Type activities at June 30, 2014, as reflected in the Statement of Net Position were \$11.9 million. The cost of providing all Proprietary (Business Type) activities this year was \$3.26 million. As shown in the statement of Changes in Net Position, the amounts paid by users of the system were \$1.6 million and there was \$367,470 subsidized by capital grants and contributions. Interest earnings were \$14,573 and transfers from governmental funds were \$220,000. The Net Position decreased by \$1,068,618.

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



Revenue By Source - Business-type Activities



Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the Town of Chino Valley's governmental funds reported combined ending fund balances of \$7,043,693 an increase of \$118,035 in comparison with the prior year. Approximately, 54.3% of this total amount, \$3,830,737 constitutes unassigned fund balance, which is available for new spending at the government's discretion. The remainder of the fund balance is restricted or assigned 1) to pay debt service, 2) to pay for capital improvements or 3) for a variety of other restricted purposes.

The general fund is the chief operating fund of the Town of Chino Valley. At the end of the current fiscal year, unreserved, unassigned fund balance in the general fund was \$3,830,737, while total fund balance is \$4,053,590. As a measure of liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 56.6% of total general fund expenditures, while total fund balance represents 59.9% of the same amount.

During the year, the Town of Chino Valley's general fund balance increased by \$741,120. Key factors in this increase are as follows:

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

The non-major funds of the Town consist of the Highway User Revenue fund, CDBG, Grants fund, Street Lighting Improvement District fund, Debt service fund and development impact fee funds (Police, Library, Parks/Recreations, and Roads) all of which are restricted or assigned for specific purposes. The largest of the non-major funds is the Road Impact Fee fund which reported a decrease of \$599,846 in fund balance of for the current fiscal year.

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

Net position of the proprietary funds were \$11.91 million as of June 30, 2014. Operating revenues in fiscal year 2014 were \$380,619 for water and \$1,199,376 for sewer while operating expenses were \$783,082 for water and \$2,143,591 for sewer, resulting in operating losses of \$402,463 for water and \$944,215 for sewer. The water and sewer operating expenses increased from the prior year mainly due to additional salary and benefit cost allocations and maintenance and repair costs. The majority of the water net operating loss was offset by transfers in from governmental funds.

General Fund Budgetary Highlights

Actual expenditures, excluding transfers, for the General Fund at year-end were \$702,945 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 2014, net capital assets of the government activities totaled \$14.27 million and the net capital assets of the business-type activities totaled \$30.39 million. Depreciation on capital assets is recognized in the Government-Wide financial statements. (See note 6 to the financial statements)

Debt

At year-end, the Town had \$11.38 million in governmental type debt, and \$14.79 million in proprietary debt. The debt is a liability of the government and amounts to \$2,427 per capita. During the current fiscal year, the Town's total debt decreased by \$600,359. (See note 7 to the financial statements)

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

In building the Town Budget for fiscal year 2014/2015, the Town Council and management considered the adopted 1% rate increase in town sales tax, 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 new development had slowed significantly due to economic decline and recession, but all indicators suggest the economic recovery has begun. The Town anticipates steady revenue increases in most areas and continues to proactively review expenses for potential savings.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

TOWN OF CHINO VALLEY, ARIZONA
Statement of Net Position
June 30, 2014

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 5,137,706	\$ -	\$ 5,137,706
Receivables (net of allowance)	723,134	756,869	1,480,003
Internal balances	1,737,144	(1,737,144)	-
Prepaid items/inventory	5,078	-	5,078
Temporarily restricted assets:			
Cash and cash equivalents	167,999	679,898	847,897
Capital assets (net of accumulated depreciation):			
Land	2,400,202	3,211,136	5,611,338
Buildings	6,399,018	526	6,399,544
Improvements	648,114	-	648,114
System improvements	-	26,209,609	26,209,609
Machinery and equipment	638,834	309,122	947,956
Infrastructure/roads	3,873,068	-	3,873,068
Water rights	-	668,553	668,553
Construction in progress	318,192	-	318,192
Total assets	<u>22,048,489</u>	<u>30,098,569</u>	<u>52,147,058</u>
Deferred Outflows of Resources			
Deferred charge on refunding	629,216	-	629,216
Liabilities			
Accounts payable and other current liabilities	727,368	173,878	901,246
Interest payable	87,991	71,990	159,981
Unearned revenue	-	3,147,657	3,147,657
Noncurrent liabilities:			
Due within one year	325,000	426,608	751,608
Due in more than one year	11,055,716	14,368,172	25,423,888
Total liabilities	<u>12,196,075</u>	<u>18,188,305</u>	<u>30,384,380</u>
Net Position			
Net investment in capital assets	3,960,511	15,658,866	19,619,377
Restricted for:			
Highways and streets	680,219	-	680,219
Debt service and utility deposits	292,213	637,600	929,813
Capital projects and other	2,359,415	-	2,359,415
Unrestricted	3,189,272	(4,386,202)	(1,196,930)
Total net position	<u>\$ 10,481,630</u>	<u>\$ 11,910,264</u>	<u>\$ 22,391,894</u>

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

TOWN OF CHINO VALLEY, ARIZONA
Statement of Activities
For the Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 3,414,324	\$ 270,586	\$ 16,401	\$ 419	\$ (3,126,918)	\$ -	\$ (3,126,918)
Public safety	2,414,104	159,271	111,540	203,495	(1,939,798)	-	(1,939,798)
Streets	1,301,632	8,200	789,784	350,521	(153,127)	-	(153,127)
Culture and recreation	1,200,623	87,724	158,480	22,495	(931,924)	-	(931,924)
Health and welfare	256,884	5,647	68,572	16,545	(166,120)	-	(166,120)
Interest on long-term debt	569,141	-	-	-	(569,141)	-	(569,141)
Total governmental activities	9,156,708	531,428	1,144,777	593,475	(6,887,028)	-	(6,887,028)
Business-type activities:							
Water	809,977	380,619	-	116,000	-	(313,358)	(313,358)
Sewer	2,459,646	1,218,343	-	251,470	-	(989,833)	(989,833)
Total business-type activities	3,269,623	1,598,962	-	367,470	-	(1,303,191)	(1,303,191)
Total primary government	<u>\$ 12,426,331</u>	<u>\$ 2,130,390</u>	<u>\$ 1,144,777</u>	<u>\$ 960,945</u>	<u>(6,887,028)</u>	<u>(1,303,191)</u>	<u>(8,190,219)</u>
General Revenues:							
Taxes:							
City sales tax					5,147,065	-	5,147,065
Franchise tax					135,183	-	135,183
Property tax					3,682	-	3,682
Auto lieu tax (unrestricted)					596,994	-	596,994
State sales tax (unrestricted)					941,542	-	941,542
Urban revenue sharing (unrestricted)					1,205,692	-	1,205,692
Unrestricted investment earnings					2,775	14,573	17,348
Gain on sale of capital assets					4,115	-	4,115
Transfers					(220,000)	220,000	-
Total general revenues & transfers					7,817,048	234,573	8,051,621
Change in net assets					930,020	(1,068,618)	(138,598)
Net position - beginning					9,551,610	12,978,882	22,530,492
Net position - ending					<u>\$ 10,481,630</u>	<u>\$ 11,910,264</u>	<u>\$ 22,391,894</u>

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

TOWN OF CHINO VALLEY, ARIZONA
Balance Sheet
Governmental Funds
June 30, 2014

Assets	General	Capital Improvements	Non-major Funds	Total Governmental Funds
Cash and investments	\$ 2,293,581	\$ 543,411	\$ 2,300,714	\$ 5,137,706
Receivables, net:				
Accounts receivable	54,079	-	144,745	198,824
Intergovernmental	364,316	86,228	73,766	524,310
Due from other funds	1,797,554	-	-	1,797,554
Prepaid items	5,078	-	-	5,078
Restricted cash and investments	-	5,005	162,994	167,999
Total assets	\$ 4,514,608	\$ 634,644	\$ 2,682,219	\$ 7,831,471
Liabilities				
Accounts payable	\$ 221,458	\$ 146,020	\$ 109,382	\$ 476,860
Court bonds	1,500	-	-	1,500
Accrued wages and benefits	142,783	-	10,933	153,716
Accrued liabilities	91,993	-	15	92,008
Customer deposits	3,284	-	-	3,284
Due to other funds	-	-	60,410	60,410
Total liabilities	461,018	146,020	180,740	787,778
Fund Balances				
Nonspendable:				
Prepays	5,078	-	-	5,078
Restricted for:				
Highways and streets	-	-	680,219	680,219
Capital improvements	-	-	1,475,498	1,475,498
Culture and recreation	-	-	2,464	2,464
Debt service	-	-	292,213	292,213
Public safety	73,735	-	51,085	124,820
Assigned to:				
Capital improvements	144,040	488,624	-	632,664
Unassigned	3,830,737	-	-	3,830,737
Total fund balances	4,053,590	488,624	2,501,479	7,043,693
Total liabilities and fund balances	\$ 4,514,608	\$ 634,644	\$ 2,682,219	\$ 7,831,471

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

TOWN OF CHINO VALLEY, ARIZONA
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position
June 30, 2014

Total governmental fund balances	\$	7,043,693
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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	\$	23,021,617	
Accumulated depreciation		(8,744,189)	
			14,277,428

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

Bonds payable	(7,280,000)	
Issuance discount	150,635	
Loans payable	(3,695,000)	
Issuance premium	(121,768)	
Interest Payable	(87,991)	
Deferred amount on refunding	629,216	
Compensated absences	(434,583)	
		(10,839,491)

Total net position of governmental activities	\$	10,481,630
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The accompanying notes are an integral part of the financial statements.

TOWN OF CHINO VALLEY, ARIZONA
Statement of Revenues, Expenditures, and Changes in
Fund Balances - Governmental Funds
For the Year Ended June 30, 2014

REVENUES	General	Capital Improvements	Non-major Funds	Total Governmental Funds
Taxes	\$ 3,964,254	\$ 1,317,995	\$ 3,682	\$ 5,285,931
Licenses, permits and fees	248,802	-	1,483	250,285
Intergovernmental revenue	2,934,485	190,028	1,128,406	4,252,919
Charges for services	93,961	-	-	93,961
Fines and forfeitures	176,986	-	-	176,986
Impact fees	-	-	194,873	194,873
Interest	801	8	1,966	2,775
Other revenues	21,751	-	23,128	44,879
Total revenues	<u>7,441,040</u>	<u>1,508,031</u>	<u>1,353,538</u>	<u>10,302,609</u>
EXPENDITURES				
Current:				
General government	3,305,027	-	4,274	3,309,301
Public safety	2,422,350	-	143,644	2,565,994
Public works/streets	-	-	1,037,923	1,037,923
Culture and recreation	824,111	-	-	824,111
Health and welfare	207,897	-	41,522	249,419
Capital outlay	-	1,047,044	361,202	1,408,246
Debt service	-	-	574,000	574,000
Total expenditures	<u>6,759,385</u>	<u>1,047,044</u>	<u>2,162,565</u>	<u>9,968,994</u>
Excess of revenues				
Over (Under) expenditures	<u>681,655</u>	<u>460,987</u>	<u>(809,027)</u>	<u>333,615</u>
Other Financing Sources (Uses):				
Sale of assets	3,985	-	435	4,420
Transfers in	55,480	756,633	582,619	1,394,732
Transfers out	<u>-</u>	<u>(858,099)</u>	<u>(756,633)</u>	<u>(1,614,732)</u>
Total other financing Sources (Uses)	<u>59,465</u>	<u>(101,466)</u>	<u>(173,579)</u>	<u>(215,580)</u>
Net change in fund balances	741,120	359,521	(982,606)	118,035
Fund balances, beginning of year	<u>3,312,470</u>	<u>129,103</u>	<u>3,484,085</u>	<u>6,925,658</u>
Fund balances, end of year	<u>\$ 4,053,590</u>	<u>\$ 488,624</u>	<u>\$ 2,501,479</u>	<u>\$ 7,043,693</u>

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

TOWN OF CHINO VALLEY, ARIZONA
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2014

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

Net change in fund balances - total governmental funds	\$ 118,035
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the difference between depreciation expense and capital outlay in the current period.	
Capital outlay	\$ 1,581,277
Depreciation expense	<u>(819,800)</u>
	761,477
Governmental funds report the gross proceeds from the sale of capital assets as revenue. However, in the statement of activities, the gain on the sale of capital assets is reported net of its net book value.	
	(6,198)
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.	
	65,000
Governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities.	
Amortization of deferred amount on refunding	(62,922)
Amortization of bond premiums and discounts - net	<u>1,400</u>
	(61,522)
Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
	51,847
Accrued interest for long-term debt is not reported as an expenditure for the current period while it is recorded in the statement of activities.	
	1,381
Change in net position of governmental activities	<u><u>\$ 930,020</u></u>

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

TOWN OF CHINO VALLEY, ARIZONA
GENERAL FUND
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2014

REVENUES:	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Taxes:				
City sales tax	\$ 3,911,000	\$ 3,911,000	\$ 3,829,071	\$ (81,929)
Franchise taxes	138,500	138,500	135,183	(3,317)
Total taxes	<u>4,049,500</u>	<u>4,049,500</u>	<u>3,964,254</u>	<u>(85,246)</u>
Licenses and permits	165,000	165,000	248,802	83,802
Intergovernmental:				
State shared sales tax	935,000	935,000	941,542	6,542
State shared income tax	1,207,000	1,207,000	1,205,692	(1,308)
Vehicle license tax	563,000	563,000	596,994	33,994
Grants	74,900	74,900	64,955	(9,945)
Other intergovernmental	112,500	112,500	125,302	12,802
Total intergovernmental	<u>2,892,400</u>	<u>2,892,400</u>	<u>2,934,485</u>	<u>42,085</u>
Charges for Services	102,300	102,300	93,961	(8,339)
Fines and Forfeitures	173,000	173,000	176,986	3,986
Interest	1,150	1,150	801	(349)
Other Revenues:				
Donations	13,800	13,800	4,632	(9,168)
Charges for administrative services	2,000	2,000	1,788	(212)
Miscellaneous	300	300	15,331	15,031
Total other revenues	<u>16,100</u>	<u>16,100</u>	<u>21,751</u>	<u>5,651</u>
TOTAL REVENUES	<u>7,399,450</u>	<u>7,399,450</u>	<u>7,441,040</u>	<u>41,590</u>

(continued)

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

TOWN OF CHINO VALLEY, ARIZONA
GENERAL FUND
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Continued)
For the Year Ended June 30, 2014

EXPENDITURES	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
General government:				
Legal services	118,650	118,650	117,948	702
Town clerk	233,850	233,850	169,420	64,430
Town manager	348,850	348,850	348,626	224
Human resources	66,950	66,950	62,957	3,993
Municipal court	294,800	294,800	280,882	13,918
Finance	279,050	284,050	279,161	4,889
Information systems	244,500	244,500	218,703	25,797
Mayor & council	29,550	29,550	23,120	6,430
Planning	139,350	169,350	167,745	1,605
Building inspection	231,030	231,030	219,615	11,415
Facilities maintenance	349,000	349,000	313,851	35,149
Fleet maintenance	332,350	332,350	313,328	19,022
Engineering	64,900	64,900	68,453	(3,553)
Contingencies	316,500	261,500	122,374	139,126
Court collection and improvements	15,100	15,100	8,672	6,428
Capital assets replacement	30,000	30,000	5,638	24,362
Nondepartmental	547,300	547,300	584,534	(37,234)
Total general government	3,641,730	3,621,730	3,305,027	316,703
Public safety:				
Police	2,511,650	2,511,650	2,329,339	182,311
Animal control	91,400	96,400	93,011	3,389
Total public safety	2,603,050	2,608,050	2,422,350	185,700
Culture and recreation:				
Recreation	74,250	74,250	26,292	47,958
Library	281,050	281,050	276,790	4,260
Parks maintenance	385,300	385,300	312,025	73,275
Aquatics center	277,500	277,500	209,004	68,496
Total culture and recreation	1,018,100	1,018,100	824,111	193,989
Health and welfare:				
Senior center	199,450	214,450	207,897	6,553
TOTAL EXPENDITURES	7,462,330	7,462,330	6,759,385	702,945
Excess of revenues over (under) expenditures	(62,880)	(62,880)	681,655	744,535
Other Financing Sources (Uses):				
Sale of assets	-	-	3,985	3,985
Transfers in	55,480	55,480	55,480	-
Total other financing sources (uses)	55,480	55,480	59,465	3,985
Net change in fund balance	(7,400)	(7,400)	741,120	748,520
Fund balance, beginning of year	3,312,470	3,312,470	3,312,470	-
Fund balance, end of year	\$ 3,305,070	\$ 3,305,070	\$ 4,053,590	\$ 748,520

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

TOWN OF CHINO VALLEY, ARIZONA
Statement of Net Position
Proprietary Funds
June 30, 2014

Assets	Water Fund	Sewer Fund	Total
Current Assets:			
Cash	\$ -	\$ -	\$ -
Receivables (net of allowance)	57,159	142,358	199,517
Hookups receivable	-	557,352	557,352
Total current assets	57,159	699,710	756,869
Noncurrent Assets:			
Restricted cash and investments	14,723	665,175	679,898
Land	3,211,136	-	3,211,136
Buildings	15,273	-	15,273
Treatment facilities	-	9,659,455	9,659,455
Water distribution system	3,378,356	-	3,378,356
Sewer collection system	-	20,906,604	20,906,604
Machinery and equipment	151,895	315,310	467,205
Water rights	668,553	-	668,553
Accumulated depreciation	(1,221,605)	(6,686,031)	(7,907,636)
Total noncurrent assets	6,218,331	24,860,513	31,078,844
Total assets	6,275,490	25,560,223	31,835,713
Liabilities			
Current liabilities:			
Accounts payable	24,253	93,734	117,987
Accrued wages and benefits	3,915	3,915	7,830
Accrued liabilities	5,763	-	5,763
Compensated absences	5,500	5,500	11,000
Interest payable	-	71,990	71,990
Due to other funds	1,270,429	466,715	1,737,144
Customer deposits	14,723	27,575	42,298
Unearned revenue	-	3,147,657	3,147,657
Loans payable - current portion	-	415,608	415,608
Total current liabilities	1,324,583	4,232,694	5,557,277
Noncurrent liabilities:			
Compensated absences	21,850	21,850	43,700
Developer agreement payable	420,733	-	420,733
Construction agreement payable	-	4,566,425	4,566,425
Loans payable, net of current portion	-	8,726,163	8,726,163
Bonds payable, net of current portion	610,000	-	610,000
Bond premiums, net of accumulated amortization	1,151	-	1,151
Total noncurrent liabilities	1,053,734	13,314,438	14,368,172
Total liabilities	2,378,317	17,547,132	19,925,449
Net Position			
Net investment in capital assets	5,171,724	10,487,142	15,658,866
Restricted for debt service	-	637,600	637,600
Unrestricted	(1,274,551)	(3,111,651)	(4,386,202)
Total net position	\$ 3,897,173	\$ 8,013,091	\$ 11,910,264

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

TOWN OF CHINO VALLEY, ARIZONA
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2014

Operating Revenues	Water Fund	Sewer Fund	Total
Charges for services	\$ 377,169	\$ 1,199,376	\$ 1,576,545
Other revenues	3,450	-	3,450
Total operating revenues	380,619	1,199,376	1,579,995
Operating Expenses			
Salaries	142,561	142,561	285,122
Employee benefits	64,912	64,567	129,479
Service, supplies and other	125,740	75,296	201,036
Repairs and maintenance	57,735	482,880	540,615
Utilities	67,491	102,940	170,431
Legal and professional	117,468	17,664	135,132
Contract services	3,840	-	3,840
Bad debts	7,152	196,012	203,164
Training and travel	2,579	-	2,579
Office expenses	7,337	6,867	14,204
Dues and subscriptions	2,148	6,000	8,148
Depreciation	178,319	1,048,804	1,227,123
Miscellaneous	5,800	-	5,800
Total operating expenses	783,082	2,143,591	2,926,673
Operating income (loss)	(402,463)	(944,215)	(1,346,678)
Non-operating Revenues (Expenses)			
Interest income	-	14,573	14,573
Interest expense and fiscal charges	(26,895)	(316,055)	(342,950)
Impact fees and connection fees	116,000	251,470	367,470
Miscellaneous nonoperating revenues	-	18,967	18,967
Total non-operating revenue (expense)	89,105	(31,045)	58,060
Income (loss) before contributions and transfers	(313,358)	(975,260)	(1,288,618)
Transfers in	220,000	-	220,000
Change in net position	(93,358)	(975,260)	(1,068,618)
Total net position, beginning of year	3,990,531	8,988,351	12,978,882
Total net position, end of year	\$ 3,897,173	\$ 8,013,091	\$ 11,910,264

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

TOWN OF CHINO VALLEY, ARIZONA
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2014

	Water Fund	Sewer Fund	Total
Cash Flows From Operating Activities:			
Cash received from customers, service fees	\$ 390,315	\$ 1,309,355	\$ 1,699,670
Cash received from customers, other	3,450	-	3,450
Cash paid to suppliers	(418,210)	(863,722)	(1,281,932)
Cash paid to employees	(193,996)	(197,480)	(391,476)
Nonoperating receipts	-	18,967	18,967
Cash flows from operating activities	<u>(218,441)</u>	<u>267,120</u>	<u>48,679</u>
Cash Flows From Noncapital Financing Activities:			
Cash received from (paid to) other funds for interfund borrowing	(41,548)	316,101	274,553
Transfers	220,000	-	220,000
Cash flows from noncapital and related financing activities	<u>178,452</u>	<u>316,101</u>	<u>494,553</u>
Cash Flows From Capital and Related Financing Activities:			
Purchase of capital assets	-	(24,620)	(24,620)
Principal paid on long term debt	(45,000)	(455,679)	(500,679)
Interest paid	(26,995)	(320,295)	(347,290)
Connection & impact fees	116,000	324,813	440,813
Cash flows from capital and related financing activities	<u>44,005</u>	<u>(475,781)</u>	<u>(431,776)</u>
Cash Flows From Investing Activities:			
Interest on investments	-	14,573	14,573
Cash flows from investing activities	<u>-</u>	<u>14,573</u>	<u>14,573</u>
Net change in cash and cash equivalents	<u>4,016</u>	<u>122,013</u>	<u>126,029</u>
Cash and cash equivalents, including temporarily restricted cash, beginning of year	<u>10,707</u>	<u>543,162</u>	<u>553,869</u>
Cash and cash equivalents, including temporarily restricted cash, end of year	<u><u>\$ 14,723</u></u>	<u><u>\$ 665,175</u></u>	<u><u>\$ 679,898</u></u>
Reconciliation of Operating Income to Net Cash Flows from Operating Activities:			
Net operating income/(loss)	\$ (402,463)	\$ (944,215)	\$ (1,346,678)
Adjustments to reconcile net income/(loss) to net cash provided by operating activities:			
Depreciation/amortization	178,319	1,048,804	1,227,123
Nonoperating receipts	-	18,967	18,967
Changes in operating assets and liabilities:			
(Increase)/Decrease in receivables	13,146	135,190	148,336
Increase/(Decrease) in payables	(20,920)	23,937	3,017
Increase/(Decrease) in accrued liabilities & deposits	13,477	20,187	33,664
Increase/(Decrease) in unearned revenue	-	(35,750)	(35,750)
Net cash flows from operating activities	<u><u>\$ (218,441)</u></u>	<u><u>\$ 267,120</u></u>	<u><u>\$ 48,679</u></u>

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

TOWN OF CHINO VALLEY, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 1. Summary of Significant Accounting Policies

Description of government-wide financial statements

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

Reporting entity

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

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

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

Basis of presentation – government-wide financial statements

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

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

TOWN OF CHINO VALLEY, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 1. Summary of Significant Accounting Policies, Continued

Basis of presentation – fund financial statements

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

The Town reports the following major governmental funds:

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

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

The Town reports the following major proprietary funds:

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

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

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

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

TOWN OF CHINO VALLEY, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 1. Summary of Significant Accounting Policies, Continued

Measurement focus and basis of accounting

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

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

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

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

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

TOWN OF CHINO VALLEY, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 1. Summary of Significant Accounting Policies, Continued

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

Deposits and investments

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

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

Receivables and payables

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

Inventories and prepaid items

Purchases of inventory items are recorded at the time of purchase as expenditures in the funds from which the purchases were made; and because the amounts on hand at June 30, 2014, were immaterial, they are not included in the balance sheet.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Restricted assets

Certain proceeds of the Town's bonds and loans are classified as restricted assets on the statement of net position because their use is limited by applicable bond or loan covenants. In addition, customer deposits in the Water and Sewer Funds are classified as restricted.

TOWN OF CHINO VALLEY, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 1. Summary of Significant Accounting Policies, Continued

Capital assets

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

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

Deferred outflows/inflows of resources

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

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

Net position flow assumption

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

TOWN OF CHINO VALLEY, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 1. Summary of Significant Accounting Policies, Continued

Fund balance flow assumptions

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

Fund balance policies

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

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Town's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the Town that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

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

Revenues and expenditures/expenses

Program revenues

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

TOWN OF CHINO VALLEY, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 1. Summary of Significant Accounting Policies, Continued

Compensated absences

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

Proprietary funds operating and nonoperating revenues and expenses

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

Use of estimates

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

TOWN OF CHINO VALLEY, ARIZONA
Notes to the Financial Statements
June 30, 2014

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

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

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

Note 3. Stewardship, Compliance, and Accountability

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

Budgets and Budgetary Accounting

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

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

TOWN OF CHINO VALLEY, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 3. Stewardship, Compliance, and Accountability, Continued

5. Expenditures may not legally exceed the expenditure limitation of all fund types as a whole. For management purposes, the Town adopts a budget by department for the General Fund and in total by fund for other funds. The Town Manager, subject to Town Council approval, may at any time transfer any unencumbered appropriation balance or portion thereof between a department or activity. The adopted budget cannot be amended in any way without Town Council approval.

6. The Town has adopted budgets in accordance with A.R.S. requirements and utilizes the budgets as a management control device during the year for the General, Special Revenue, Debt Service, Capital Projects Funds and Enterprise funds. The budgets are prepared on essentially the same modified accrual basis of accounting used to record actual revenues and expenditures.

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

Supplementary budgetary appropriations were necessary during the year.

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

Expenditures over Appropriations

The individual Statements of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual report on pages 20-21, 54, and 60-67 present all of the funds which incurred an excess of expenditures/expenses over appropriations for the year ended June 30, 2014, if any.

TOWN OF CHINO VALLEY, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 4. Deposits and Investments

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

Cash and cash equivalents	\$ 5,137,706
Restricted cash	847,897
	<u>\$ 5,985,603</u>

Deposits

Custodial Credit Risk

For deposits this is the risk that in the event of a bank failure, the Town's deposit may not be returned to it. The Town does not have a formal policy for custodial credit risk. As of June 30, 2014, none of the Town's bank balance of \$858,477 (which excludes \$162,994 of cash held by a trustee for future debt service) was exposed to custodial credit risk because it was insured or collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Town's name.

Investments

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

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

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

TOWN OF CHINO VALLEY, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 4. Deposits and Investments, Continued

As of June 30, 2014 the Town had the following deposits and investments and maturities:

	Fair Value	Credit Rating	Weighted Average Maturity
Deposits:			
Cash on hand	\$ 2,950	N/A	N/A
Cash in bank	946,612	N/A	N/A
Investments:			
State Treasurer's Investment Pool	<u>5,036,041</u>	(1)	(2)
Total Deposits and Investments	<u><u>\$ 5,985,603</u></u>		

(1) The Town's investment in the State Treasurer's Investment Pool #5 was rated AAAsf/S1+ and Investment Pool #7 was rated AAA from Standard and Poor's.

(2) The Town's investment in the State Treasurer's Investment Pool #5 had a Weighted Average Maturity of 59 days. Investment Pool #7's Weighted Average Maturity was 19 days.

Interest rate risk

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

Credit risk

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

TOWN OF CHINO VALLEY, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 4. Deposits and Investments, Continued

Restricted Assets at June 30, 2014 consisted of the following:

	Governmental Activities	Business-type Activities
Restricted Cash		
Debt reserve requirements	\$ 162,994	\$ 637,600
Unspent loan proceeds	5,005	-
Water fund customer deposits	-	14,723
Sewer fund customer deposits	-	27,575
Total	<u>\$ 167,999</u>	<u>\$ 679,898</u>

Note 5. Receivables

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

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

Service billings receivable	\$ 256,517
Allowance for doubtful accounts	<u>(57,000)</u>
	<u>\$ 199,517</u>

Hookups receivable of \$557,352 reported in the proprietary funds are for amounts receivable from customers for hookup fees that are paid over a ten year period. Each year the Town bills one tenth of the amount receivable which is recorded as Service Billings Receivable (see above). The remaining long-term portion is recorded as Hookups Receivable.

TOWN OF CHINO VALLEY, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 6. Capital Assets

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

Governmental Activities:	Balance 6/30/2013	Additions	Deletions	Transfers	Balance 6/30/2014
Capital assets, not being depreciated:					
Land	\$ 2,132,788	\$ 267,414	\$ -	\$ -	\$ 2,400,202
Construction in progress	665,710	318,192	(665,710)	-	318,192
Total capital assets, not being depreciated	2,798,498	585,606	(665,710)	-	2,718,394
Capital assets, being depreciated:					
Buildings	10,261,638	163,918	-	(53,284)	10,372,272
Improvements other than buildings	1,089,323	272,456	-	45,784	1,407,563
Furniture, equipment, and vehicles	3,608,116	209,095	(187,894)	7,500	3,636,817
Infrastructure	3,877,288	1,015,912	(6,630)	-	4,886,570
Total capital assets, being depreciated	18,836,365	1,661,381	(194,524)	-	20,303,222
Less accumulated depreciation for:					
Buildings	(3,585,085)	(395,674)	-	7,505	(3,973,254)
Improvements other than buildings	(699,578)	(59,866)	-	(5)	(759,449)
Furniture, equipment, and vehicles	(2,989,865)	(186,556)	185,939	(7,500)	(2,997,982)
Infrastructure	(838,186)	(177,704)	2,387	-	(1,013,503)
Total accumulated depreciation	(8,112,714)	(819,800)	188,326	-	(8,744,188)
Total capital assets, being depreciated, net	10,723,651	841,581	(6,198)	-	11,559,034
Governmental activities capital assets, net	<u>\$ 13,522,149</u>	<u>\$ 1,427,187</u>	<u>\$ (671,908)</u>	<u>\$ -</u>	<u>\$ 14,277,428</u>

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

Governmental Activities:	
General government	\$ 157,443
Public safety	86,571
Streets	201,569
Culture & recreation	365,134
Health & welfare	9,083
Total depreciation expense - governmental activities	<u>\$ 819,800</u>

TOWN OF CHINO VALLEY, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 6. Capital Assets, Continued

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

Business Type Activities:	Balance 6/30/2013	Additions	Deletions	Balance 6/30/2014
Capital assets not being depreciated:				
Land	\$ 3,211,136	\$ -	\$ -	\$ 3,211,136
Construction in progress	-	-	-	-
Water rights	668,553	-	-	668,553
Total capital assets, not being depreciated	3,879,689	-	-	3,879,689
Capital assets being depreciated:				
Buildings	15,273	-	-	15,273
Treatment facilities	9,659,455	-	-	9,659,455
Water distribution system	3,378,356	-	-	3,378,356
Sewer collection system	20,906,604	-	-	20,906,604
Machinery, equipment & vehicles	442,585	24,620	-	467,205
Total capital assets, being depreciated	34,402,273	24,620	-	34,426,893
Less accumulated depreciation for:				
Buildings	(13,219)	(1,528)	-	(14,747)
Treatment facilities	(1,561,649)	(194,501)	-	(1,756,150)
Water distribution system	(922,614)	(171,457)	-	(1,094,071)
Sewer collection system	(4,048,863)	(835,722)	-	(4,884,585)
Machinery, equipment & vehicles	(134,168)	(23,915)	-	(158,083)
Total accumulated depreciation	(6,680,513)	(1,227,123)	-	(7,907,636)
Total capital assets, being depreciated, net	27,721,760	(1,202,503)	-	26,519,257
Business-type activities capital assets, net	<u>\$ 31,601,449</u>	<u>\$ (1,202,503)</u>	<u>\$ -</u>	<u>\$ 30,398,946</u>

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

Business-Type Activities:

Water	\$ 178,319
Sewer	1,048,804
Total depreciation expense - business-type activities	<u>\$ 1,227,123</u>

TOWN OF CHINO VALLEY, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 7. Long-Term Debt

The following is a summary of changes in long-term obligations for the year ended June 30, 2014:

	Balance 6/30/2013	Additions	Retirements	Balance 6/30/2014	Current Portion
Governmental Activities:					
Revenue Bonds					
Series 2010	\$ 7,280,000	\$ -	\$ -	\$ 7,280,000	\$ -
Discount on Bonds	(159,243)	-	8,608	(150,635)	-
Total Revenue Bonds	<u>7,120,757</u>	<u>-</u>	<u>8,608</u>	<u>7,129,365</u>	<u>-</u>
Loans payable					
GADA 2007 Series	3,760,000	-	(65,000)	3,695,000	75,000
Premium on GADA Loan	131,776	-	(10,008)	121,768	-
Total Loans Payable	<u>3,891,776</u>	<u>-</u>	<u>(75,008)</u>	<u>3,816,768</u>	<u>75,000</u>
Accrued compensated absences	486,430	236,435	(288,282)	434,583	250,000
Total other long term debt	<u>486,430</u>	<u>236,435</u>	<u>(288,282)</u>	<u>434,583</u>	<u>250,000</u>
Total Governmental Activities	<u>\$ 11,498,963</u>	<u>\$ 236,435</u>	<u>\$ (354,682)</u>	<u>\$ 11,380,716</u>	<u>\$ 325,000</u>
Business-Type Activities:					
Revenue Bonds					
Series 2010	\$ 655,000	\$ -	\$ (45,000)	\$ 610,000	\$ -
Premium on Series 2010 Bond	1,251	-	(100)	1,151	-
Total Revenue Bonds	<u>656,251</u>	<u>-</u>	<u>(45,100)</u>	<u>611,151</u>	<u>-</u>
Loans payable					
USDA					
Series 2007	1,448,351	-	(37,234)	1,411,117	38,695
Series 2008-1	1,407,813	-	(33,404)	1,374,409	34,809
Series 2008-2	1,246,038	-	(29,553)	1,216,485	30,798
WIFA					
Series 2007	1,239,847	-	(73,762)	1,166,085	75,795
Series 2008	4,202,741	-	(229,065)	3,973,676	235,511
Total Loans Payable	<u>9,544,790</u>	<u>-</u>	<u>(403,018)</u>	<u>9,141,772</u>	<u>415,608</u>
Accrued compensated absences	36,033	29,628	(10,962)	54,699	11,000
Construction agreement payable	4,619,085	-	(52,660)	4,566,425	-
Developer agreement payable	420,733	-	-	420,733	-
Total other long term debt	<u>5,075,851</u>	<u>29,628</u>	<u>(63,622)</u>	<u>5,041,857</u>	<u>11,000</u>
Total Business-Type Activities	<u>\$ 15,276,892</u>	<u>\$ 29,628</u>	<u>\$ (511,740)</u>	<u>\$ 14,794,780</u>	<u>\$ 426,608</u>
Total Long-Term Liabilities	<u>\$ 26,775,855</u>	<u>\$ 266,063</u>	<u>\$ (866,422)</u>	<u>\$ 26,175,496</u>	<u>\$ 751,608</u>

TOWN OF CHINO VALLEY, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 7. Long-Term Debt, Continued

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

Fiscal Year Ended June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2015	\$ 75,000	\$ 341,800	\$ 415,608	\$ 315,788
2016	235,000	504,432	473,711	314,920
2017	240,000	494,444	487,241	300,004
2018	255,000	484,244	506,215	284,377
2019	415,000	471,044	520,648	268,036
2020-2024	2,995,000	1,993,500	2,871,886	1,070,295
2025-2029	3,920,000	1,185,775	2,594,876	575,349
2030-2034	2,840,000	206,383	1,052,024	285,617
2035-2038	-	-	829,563	61,683
Totals	<u>\$ 10,975,000</u>	<u>\$ 5,681,622</u>	<u>\$ 9,751,772</u>	<u>\$ 3,476,069</u>

The following is a listing of long-term debt outstanding as of June 30, 2014:

Bonds Payable:

Governmental Activities:

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

Business-Type Activities:

MPC Revenue Bonds, Series 2010, due in annual principal and semi-annual interest installments ranging from \$45,000 to \$70,000 bearing interest at 2.50% to 5.00%, maturing August 2031. 610,000

Total Bonds Payable 7,890,000

TOWN OF CHINO VALLEY, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 7. Long-Term Debt, Continued

Loans Payable:

Governmental Activities:

Greater Arizona Development Authority (GADA), due in annual principal and semi-annual interest installments ranging from \$65,000 to \$385,000 bearing interest at 4.0% to 5.0%, maturing July 1, 2026	3,695,000
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Business-Type Activities:

Water Infrastructure Finance Authority of Arizona loan, due in semi-annual variable principal and interest installments, bearing interest at 2.758%, maturing July 1, 2026.	1,166,085
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Water Infrastructure Finance Authority of Arizona loan, due in semi-annual variable principal and interest installments, bearing interest at 2.814%, maturing July 1, 2027.	3,973,676
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U.S. Department of Agriculture - Rural Development (USDA) loan, due in monthly installments, bearing interest at 4.125%, maturing February 2037.	1,411,117
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U.S. Department of Agriculture - Rural Development (USDA) loan, due in monthly installments, bearing interest at 4.125%, maturing April 2038.	1,374,409
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U.S. Department of Agriculture - Rural Development (USDA) loan, due in monthly installments, bearing interest at 4.125%, maturing April 2038.	1,216,485
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Total Business-Type Activities	9,141,772
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Total Loans Payable	12,836,772
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Developer Agreement Payable

Developer agreement payable with no minimum required payments and no interest. Payments are contingent on the number of water hook-ups received during the year.	420,733
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TOWN OF CHINO VALLEY, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 7. Long-Term Debt, Continued

Construction Agreement Payable:

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

4,566,425 *

Accrued Vacation and Comp Time Payable

489,282

Premiums and Discounts, net

(27,716)

Total Long-Term Debt

26,175,496

Less Current Portion:

Business-type Activities

(426,608)

Governmental-type Activities

(325,000)

Net Long-Term Debt

\$ 25,423,888

* The Town entered into an agreement with a construction contractor to finance the construction of a wastewater treatment plant. The plant is to be constructed in six phases. Phases I-IV have been constructed and completed in fiscal years 2004-09. Phases IV-VI are for additional plant capacity. As of June 30, 2014 Phases V and VI had not been started. There are no minimum payment requirements under the agreement, rather payments are contingent upon hook-ups to the Town's sewer system. The Town has agreed to pay the contractor \$4,100 per hook-up for the first 3,150 hookups to the system. As of June 30, 2014, 1,214 hook-ups remain outstanding for the completed phases of the plant which have been capitalized and a corresponding liability recognized by the Town.

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

	Business-type Activities
Asset:	
Land	\$ 878,396
Water Rights	25,047
Treatment Facilities	9,659,455
Furniture, equipment and vehicles	35,168
Less: accumulated depreciation	<u>(1,791,321)</u>
	<u><u>\$ 8,806,745</u></u>

TOWN OF CHINO VALLEY, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 8. Debt Defeasance

During the year ended June 30, 2011, the Town issued \$7,280,000 of revenue refunding bonds and utilized \$907,442 from a previous debt issuance to provide resources to purchase U.S. Government securities that were placed in an irrevocable trust for the purpose of generating resources for the future debt service payments of \$6,110,000 of revenue bonds and payment of \$465,000 on the GADA 2007 Series loan. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net position. At June 30, 2014 \$5,055,000 of the revenue bonds and \$150,000 of the GADA 2007 series loan remain outstanding.

Note 9. Pledged Revenues

The Town has pledged a portion of the future excise taxes and state shared revenues to repay a \$5 million GADA loan issued in 2007 and to repay \$7.28 million in MPC Revenue Bonds issued in 2010. The loan was used to finance various improvements to the Town. The bonds were used to refund the remaining portion of the MPC 2004 Revenue Bonds. The bonds and loans are payable from excise taxes and state shared revenues of the Town. Annual principal and interest payments on the bonds and loans are estimated to require 10% of excise tax and state shared revenues. Total principal and interest remaining on the loan is \$5,114,123 payable through August 2026. The principal and interest remaining on the bond is \$11,542,499 payable through August 2031. For the current year, principal and interest paid on the loan was \$177,363 and the interest paid on the bonds was \$331,638. Total excise taxes and state shared revenues were \$8,026,477.

The Town has pledged a portion of future sewer system customer revenues, net of specified operating expenses, and future excise taxes and state shared revenues to repay \$6.4 million in WIFA loans issued in 2007 and 2008 and \$4.4 million in USDA loans issued in 2007 and 2008. Proceeds from the loans provided financing for development of the Town's sewer system. The loans are payable from sewer system customer net revenues and excise taxes and state shared revenues. The WIFA loans are payable through July 2026 and 2027 and the USDA loans are payable through March 2037 and May 2038. Annual principal and interest payments on the loans are estimated to require 7% of total net sewer system, excise taxes and state shared revenues. The total principal and interest remaining to be paid on the WIFA and USDA loans is \$6,194,060 and \$6,241,807 respectively. For the current year, principal and interest paid was \$714,334, sewer system customer net revenues were \$1,450,846, and excise taxes and state shared revenues were \$8,026,477.

TOWN OF CHINO VALLEY, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 10. Interfund Receivables, Payables and Transfers

As of June 30, 2014, interfund receivables and payables that resulted from various interfund transactions were as follows:

Due To:	Due From:			Total
	Nonmajor Governmental Funds	Water Fund	Sewer Fund	
General Fund	\$ 60,410	\$ 1,270,429	\$ 466,715	\$ 1,797,554
Total	<u>\$ 60,410</u>	<u>\$ 1,270,429</u>	<u>\$ 466,715</u>	<u>\$ 1,797,554</u>

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

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TOWN OF CHINO VALLEY, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 10. Interfund Receivables, Payables and Transfers, Continued

Interfund transfers for the fiscal year ended June 30, 2014 are as follows:

<u>Transfer Out</u>	<u>Transfer In</u>				<u>Total</u>
	<u>General Fund</u>	<u>Water Fund</u>	<u>Capital Improvement Fund</u>	<u>Non-major Governmental Funds</u>	
Capital Improvement Fund	\$ 55,480	\$ 220,000	\$ -	\$ 582,619	\$ 858,099
Non-major Governmental Funds	-	-	756,633	-	756,633
Total	<u>\$ 55,480</u>	<u>\$ 220,000</u>	<u>\$ 756,633</u>	<u>\$ 582,619</u>	<u>\$ 1,614,732</u>

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

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TOWN OF CHINO VALLEY, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 11. Retirement and Pension Plans

Arizona State Retirement System (ASRS)

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

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

Funding Policy - The Arizona State Legislature establishes and may amend active plan members' and the Town's contribution rates. For the current fiscal year, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.54 percent (11.30 percent for retirement, and .24 percent for long-term disability) of the members' annual covered payroll and the Town was required to contribute 11.54 percent (10.70 percent for retirement, 0.60 percent for health insurance premium, and 0.24 percent for long-term disability) of the members' annual covered payroll.

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

Year Ended June 30,	Retirement Fund	Health Benefit Supplement Fund	Long-Term Disability Fund
2012	\$ 200,874	\$ 12,822	\$ 4,884
2013	253,975	16,106	5,947
2014	255,936	14,352	5,741

TOWN OF CHINO VALLEY, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 11. Retirement and Pension Plans, Continued

Public Safety Personnel Retirement System (PSPRS)

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

Funding Policy - For the current fiscal year, active PSPRS member employees were required by statute to contribute 7.65 percent of their annual covered salary to the PSPRS and the Town was required to contribute 19.31 percent, the remaining amounts necessary to fund the PSPRS, as determined by the actuarial basis specified by statute. The health insurance premium portion of the contribution rate was actuarially set at 1.49 percent of covered payroll.

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

The contribution requirements for the year ended June 30, 2014 were established by the June 30, 2012 actuarial valuations using the entry age normal method. The actuarial assumptions included (a) 8.0 percent investment rate of return and (b) projected salary increases ranging from 5.0 to 9.0 percent per year. No specific price inflation assumption is required; however, a price inflation assumption on the order of 3.0 percent to 4.0 percent would be consistent with other economic assumptions. Healthcare cost trend rates are not applicable. The actuarial value of assets are determined using techniques that smooth the effects of short-term volatility in the market value of investments and spreads differences between actual and assumed investment return over a seven year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2014, was 22 years for unfunded actuarial accrued liability and 20 years for excess.

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

Annual Pension/OPEB Cost – During the year ended June 30, 2014, the Town's annual pension cost of \$186,220 and the annual OPEB cost of \$16,991 was equal to the Town's required and actual contributions.

TOWN OF CHINO VALLEY, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 11. Retirement and Pension Plans, Continued

Plan	Year Ended June 30,	Annual Pension/ OPEB Cost	Percentage of Annual Cost Contributed	Net Pension/ OPEB Obligation
Pension	2012	\$ 150,033	100%	-
	2013	162,819	100%	-
	2014	186,220	100%	-
Health Insurance	2012	\$ 19,049	100%	-
	2013	17,091	100%	-
	2014	16,991	100%	-

Funded Status and Funding Progress – The funded status of the plan as of June 30, 2014 is as follows:

	Retirement	Insurance Subsidy
Actuarial accrued liability (AAL)	\$ 6,601,880	\$ 174,025
Actuarial value of plan assets	4,206,915	222,278
Unfunded actuarial accrued liability (UAAL)	\$ 2,394,965	\$ (48,253)
Funded ratio (actuarial value of plan assets/AAL)	63.72%	127.73%
Covered payroll (active plan members)	\$ 1,077,712	\$ 1,077,712
UAAL as a percentage of covered payroll	222.23%	0.00%

The schedule of funding progress presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of the plans' assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits. This historical trend information is presented in order for a reader to assess the progress made in accumulating sufficient assets to pay pension benefits as they become payable.

Note 12. Risk Management

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

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

TOWN OF CHINO VALLEY, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 13. Contingent Liabilities and Commitments

The Town is contingently liable with respect to lawsuits and other claims incidental to the ordinary course of its operations. In the opinion of Town management, based on the advice of the Town Attorney with respect to such litigation, such matters will not have a material adverse effect on the Town's financial position at June 30, 2014.

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, 2014, the Town's estimated liability is \$328,574 under such agreements.

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

Project	Spent to Date	Remaining Commitment
Center Street Box Culvert	\$ 55,436	\$ 444,564
Chino Meadows Unit 5	117,095	966,905
Road 1 East & 3 South	38,586	161,414
CV Skate Park	7,075	92,925
Roundabout at 5 South	100,000	-
Total	<u>\$ 318,192</u>	<u>\$ 1,665,808</u>

Construction agreement contingent liability:

The Town entered into an agreement with a construction contractor to finance the construction of a wastewater treatment plant. The plant is to be constructed in six phases. Phases I-IV have been constructed and completed in fiscal years 2004-09. Phases IV-VI are for additional plant capacity. As of June 30, 2014 Phases V and VI had not been started. There are no minimum payment requirements under the agreement, rather payments are contingent upon hook-ups to the Town's sewer system. The Town has agreed to pay the contractor \$4,100 per hook-up for the first 3,150 hookups to the system. As of June 30, 2014, 1,214 hook-ups remain outstanding for the completed phases of the plant which have been capitalized and a corresponding liability recognized by the Town. See footnote 6 for the related debt recorded.

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

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REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF CHINO VALLEY, ARIZONA
Required Supplementary Information

Schedule of Funding Progress
Public Safety Personnel Retirement System – Police

An analysis of the progress of the Public Plan (PSPRS) from June 30, 2009 through June 30, 2014, based on actuarial valuations follows:

	(a)	(b)	(b) - (a)	(a)/(b)	(c)	[(b)-(a)] / (c)
Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	Unfunded AAL As a Percentage of Covered Payroll
June 30, 2009	3,513,428	4,078,542	565,114	86.1%	1,327,188	42.58%
2010	3,810,411	4,218,617	408,206	90.3%	1,249,274	32.68%
2011	4,199,486	4,951,396	751,910	84.8%	1,033,460	72.76%
2012	4,212,219	5,318,164	1,105,945	79.2%	1,034,332	106.92%
2013	4,260,221	5,720,184	1,459,963	74.5%	1,163,976	125.43%
2014	4,206,915	6,601,880	2,394,965	63.7%	1,077,712	222.23%

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

	(a)	(b)	(b) - (a)	(a)/(b)	(c)	[(b)-(a)] / (c)
Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	Unfunded AAL As a Percentage of Covered Payroll
June 30, 2009	-	118,551	118,551	0.0%	1,327,188	8.93%
2010	-	131,178	131,178	0.0%	1,249,274	10.50%
2011	-	167,655	167,655	0.0%	1,033,460	16.22%
2012	-	187,398	187,398	0.0%	1,034,332	18.12%
2013	-	184,056	184,056	0.0%	1,163,976	15.81%
2014	222,278	174,025	(48,253)	127.7%	1,077,712	0.00%

The health insurance subsidy payment reported for FY2014 was \$6,690

In fiscal year 2009, GASB Statements Nos. 43 and 45 measurements are made and reported; thus, these benefits are disaggregated and reported separately.

SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULES
FOR THE FOLLOWING MAJOR FUNDS

Capital Project Funds

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

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

TOWN OF CHINO VALLEY, ARIZONA
CAPITAL IMPROVEMENT
Capital Project Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2014

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES:				
City sales tax	\$ 1,206,000	\$ 1,206,000	\$ 1,317,995	\$ 111,995
Intergovernmental revenue	3,084,000	3,084,000	190,028	(2,893,972)
Interest	800	800	8	(792)
Total revenue	<u>4,290,800</u>	<u>4,290,800</u>	<u>1,508,031</u>	<u>(2,782,769)</u>
EXPENDITURES:				
Capital outlay	<u>4,584,000</u>	<u>4,584,000</u>	<u>1,047,044</u>	<u>3,536,956</u>
Total expenditures	<u>4,584,000</u>	<u>4,584,000</u>	<u>1,047,044</u>	<u>3,536,956</u>
Excess of revenues over (under) expenditures	<u>(293,200)</u>	<u>(293,200)</u>	<u>460,987</u>	<u>754,187</u>
Other Financing Sources (Uses):				
Debt proceeds	500,000	500,000	-	(500,000)
Transfers in	1,000,000	1,000,000	756,633	(243,367)
Transfers out	<u>(858,099)</u>	<u>(858,099)</u>	<u>(858,099)</u>	<u>-</u>
Total other financing sources (uses):	<u>641,901</u>	<u>641,901</u>	<u>(101,466)</u>	<u>(743,367)</u>
Net change in fund balance	348,701	348,701	359,521	10,820
Fund balance, beginning of year	<u>129,103</u>	<u>129,103</u>	<u>129,103</u>	<u>-</u>
Fund balance, end of year	<u>\$ 477,804</u>	<u>\$ 477,804</u>	<u>\$ 488,624</u>	<u>\$ 10,820</u>

SUPPLEMENTARY INFORMATION

**COMBINING STATEMENTS
AND BUDGETARY COMPARISON SCHEDULES**

Non-major Governmental Funds

Special Revenue Funds

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

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

Debt Service Fund

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

Capital Project Funds

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

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

TOWN OF CHINO VALLEY, ARIZONA
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014

	Special Revenue			Street Lighting
	Highway User Revenue Fund	CDBG	Grants	Improvement District
ASSETS				
Cash	\$ 696,319	\$ -	\$ -	\$ -
Accounts receivable	-	557	132,668	760
Due from other governments	73,766	-	-	-
Restricted cash	-	-	-	-
Total assets	<u>\$ 770,085</u>	<u>\$ 557</u>	<u>\$ 132,668</u>	<u>\$ 760</u>
LIABILITIES				
Accounts payable	\$ 86,421	\$ -	\$ 20,237	\$ -
Accrued wages and benefits	10,933	-	-	-
Accrued liabilities	-	-	15	-
Due to other funds	-	557	51,043	1,096
Total liabilities	<u>97,354</u>	<u>557</u>	<u>71,295</u>	<u>1,096</u>
FUND BALANCE				
Restricted for:				
Highways and streets	672,731	-	7,824	(336)
Capital improvements	-	-	-	-
Culture and recreation	-	-	2,464	-
Debt service	-	-	-	-
Public safety	-	-	51,085	-
Total fund balances (deficits)	<u>672,731</u>	<u>-</u>	<u>61,373</u>	<u>(336)</u>
Total liabilities and fund balance	<u>\$ 770,085</u>	<u>\$ 557</u>	<u>\$ 132,668</u>	<u>\$ 760</u>

Capital Projects					
Debt Service	Police Impact Fee	Library Impact Fee	Parks and Recreation Impact Fee	Roads Impact Fee	Total
\$ 129,219	\$ 82,899	\$ -	\$ 38,768	\$ 1,353,509	\$ 2,300,714
-	-	8,914	1,846	-	144,745
-	-	-	-	-	73,766
162,994	-	-	-	-	162,994
<u>\$ 292,213</u>	<u>\$ 82,899</u>	<u>\$ 8,914</u>	<u>\$ 40,614</u>	<u>\$ 1,353,509</u>	<u>\$ 2,682,219</u>
\$ -	\$ 110	\$ 1,200	\$ -	\$ 1,414	\$ 109,382
-	-	-	-	-	10,933
-	-	-	-	-	15
-	-	7,714	-	-	60,410
<u>-</u>	<u>110</u>	<u>8,914</u>	<u>-</u>	<u>1,414</u>	<u>180,740</u>
-	-	-	-	-	680,219
-	82,789	-	40,614	1,352,095	1,475,498
292,213	-	-	-	-	2,464
-	-	-	-	-	292,213
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>51,085</u>
<u>292,213</u>	<u>82,789</u>	<u>-</u>	<u>40,614</u>	<u>1,352,095</u>	<u>2,501,479</u>
<u>\$ 292,213</u>	<u>\$ 82,899</u>	<u>\$ 8,914</u>	<u>\$ 40,614</u>	<u>\$ 1,353,509</u>	<u>\$ 2,682,219</u>

TOWN OF CHINO VALLEY, ARIZONA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2014

	Special Revenue			Street Lighting Improvement District
	Highway User Revenue Fund	CDBG	Grants	
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ 3,682
Licenses and permits	1,483	-	-	-
Intergovernmental	773,367	-	303,217	-
Impact fees	-	-	-	-
Interest	798	-	63	-
Other revenues	6,716	-	14,566	-
Total revenues	782,364	-	317,846	3,682
EXPENDITURES:				
Current:				
General government	-	-	2,311	-
Public safety	-	-	143,644	-
Public works/streets	1,033,519	-	-	4,404
Health and welfare	-	-	41,522	-
Capital outlay	-	-	205,500	-
Debt service	-	-	-	-
Total expenditures	1,033,519	-	392,977	4,404
Excess of revenues over (under) expenditures	(251,155)	-	(75,131)	(722)
Other Financing Sources (Uses):				
Sale of assets	435	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses):	435	-	-	-
Net change in fund balances	(250,720)	-	(75,131)	(722)
Fund balances, beginning of year	923,451	-	136,504	386
Fund balances, end of year	\$ 672,731	\$ -	\$ 61,373	\$ (336)

Capital Projects					
Debt Service	Police Impact Fee	Library Impact Fee	Parks and Recreation Impact Fee	Roads Impact Fee	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,682
-	-	-	-	-	1,483
-	-	51,822	-	-	1,128,406
-	17,382	5,085	16,605	155,801	194,873
-	39	34	46	986	1,966
-	-	-	1,846	-	23,128
-	17,421	56,941	18,497	156,787	1,353,538
1,963	-	-	-	-	4,274
-	-	-	-	-	143,644
-	-	-	-	-	1,037,923
-	-	-	-	-	41,522
-	13,521	140,904	1,277	-	361,202
574,000	-	-	-	-	574,000
575,963	13,521	140,904	1,277	-	2,162,565
(575,963)	3,900	(83,963)	17,220	156,787	(809,027)
-	-	-	-	-	435
582,619	-	-	-	-	582,619
-	-	-	-	(756,633)	(756,633)
582,619	-	-	-	(756,633)	(173,579)
6,656	3,900	(83,963)	17,220	(599,846)	(982,606)
285,557	78,889	83,963	23,394	1,951,941	3,484,085
\$ 292,213	\$ 82,789	\$ -	\$ 40,614	\$ 1,352,095	\$ 2,501,479

TOWN OF CHINO VALLEY, ARIZONA
HIGHWAY USER REVENUE
Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2014

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES:				
Licenses and permits	\$ 1,350	\$ 1,350	\$ 1,483	\$ 133
Intergovernmental revenue	763,000	763,000	773,367	10,367
Interest	1,500	1,500	798	(702)
Other revenues	-	-	6,716	6,716
Total revenue	765,850	765,850	782,364	16,514
EXPENDITURES:				
Public Works/Streets:				
Salaries	386,160	386,160	374,005	12,155
Employee benefits	182,790	182,790	181,330	1,460
Utilities	21,050	21,050	12,109	8,941
Services, supplies, and other	420,050	420,050	466,075	(46,025)
Contingencies	9,500	9,500	-	9,500
Total expenditures	1,019,550	1,019,550	1,033,519	(13,969)
Excess of revenues over (under) expenditures	(253,700)	(253,700)	(251,155)	2,545
Other Financing Sources (Uses):				
Sale of assets	-	-	435	435
Total other financing sources (uses):	-	-	435	435
Net change in fund balance	(253,700)	(253,700)	(250,720)	2,980
Fund balance, beginning of year	923,451	923,451	923,451	-
Fund balance, end of year	\$ 669,751	\$ 669,751	\$ 672,731	\$ 2,980

TOWN OF CHINO VALLEY, ARIZONA
GRANTS
Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2014

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES:				
Intergovernmental revenue	\$ 700,000	\$ 700,000	\$ 303,217	\$ (396,783)
Interest	-	-	63	63
Other revenues	-	-	14,566	14,566
Total revenue	700,000	700,000	317,846	(382,154)
EXPENDITURES:				
General government:				
Services, supplies, and other	50,000	50,000	2,311	47,689
Public safety:				
Services, supplies, and other	100,000	100,000	143,644	(43,644)
	100,000	100,000	143,644	(43,644)
Culture and recreation:				
Services, supplies, and other	100,000	100,000	-	100,000
Health and welfare:				
Salaries	-	-	5,127	(5,127)
Services, supplies, and other	25,000	25,000	36,395	(11,395)
	25,000	25,000	41,522	(16,522)
Capital outlay	425,000	425,000	205,500	219,500
Total expenditures	700,000	700,000	392,977	307,023
Excess of revenues over (under) expenditures	-	-	(75,131)	(75,131)
Fund balance, beginning of year	136,504	136,504	136,504	-
Fund balance, end of year	\$ 136,504	\$ 136,504	\$ 61,373	\$ (75,131)

TOWN OF CHINO VALLEY, ARIZONA
STREET LIGHTING IMPROVEMENT DISTRICT
Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>			<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
REVENUES:				
Taxes	<u>\$ 3,578</u>	<u>\$ 3,578</u>	<u>\$ 3,682</u>	<u>\$ 104</u>
Total revenue	<u>3,578</u>	<u>3,578</u>	<u>3,682</u>	<u>104</u>
EXPENDITURES:				
Public Works/Streets:				
Utilities	<u>3,806</u>	<u>3,806</u>	<u>4,404</u>	<u>(598)</u>
Total expenditures	<u>3,806</u>	<u>3,806</u>	<u>4,404</u>	<u>(598)</u>
Excess of revenues over (under) expenditures	<u>(228)</u>	<u>(228)</u>	<u>(722)</u>	<u>(494)</u>
Fund balance, beginning of year	<u>386</u>	<u>386</u>	<u>386</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 158</u></u>	<u><u>\$ 158</u></u>	<u><u>\$ (336)</u></u>	<u><u>\$ (494)</u></u>

TOWN OF CHINO VALLEY, ARIZONA
DEBT SERVICE FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2014

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES:				
Interest	\$ -	\$ -	\$ -	\$ -
Total revenue	-	-	-	-
EXPENDITURES:				
General government:				
Professional fees	2,500	2,500	1,963	537
Debt service:				
Principal	75,000	75,000	65,000	10,000
Interest	507,620	507,620	509,000	(1,380)
Total expenditures	585,120	585,120	575,963	9,157
Excess of revenues over (under) expenditures	(585,120)	(585,120)	(575,963)	9,157
Other Financing Sources (Uses):				
Transfers in	585,120	585,120	582,619	(2,501)
Total other financing sources(uses):	585,120	585,120	582,619	(2,501)
Net change in fund balance	-	-	6,656	6,656
Fund balance, beginning of year	285,557	285,557	285,557	-
Fund balance, end of year	\$ 285,557	\$ 285,557	\$ 292,213	\$ 6,656

TOWN OF CHINO VALLEY, ARIZONA
POLICE IMACT FEE
Capital Project Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Impact Fees	\$ -	\$ -	\$ 17,382	\$ 17,382
Interest	100	100	39	(61)
Total revenue	100	100	17,421	17,321
EXPENDITURES:				
Capital outlay	50,000	50,000	13,521	36,479
Total expenditures	50,000	50,000	13,521	36,479
Excess of revenues over (under) expenditures	(49,900)	(49,900)	3,900	53,800
Fund balance, beginning of year	78,889	78,889	78,889	-
Fund balance, end of year	\$ 28,989	\$ 28,989	\$ 82,789	\$ 53,800

TOWN OF CHINO VALLEY, ARIZONA
LIBRARY IMPACT FEE
Capital Project Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:				
Intergovernmental	\$ -	\$ -	\$ 51,822	\$ 51,822
Impact fees	-	-	5,085	5,085
Interest	100	100	34	(66)
	<u>100</u>	<u>100</u>	<u>56,941</u>	<u>56,841</u>
Total revenue	<u>100</u>	<u>100</u>	<u>56,941</u>	<u>56,841</u>
EXPENDITURES:				
Capital outlay	<u>7,000</u>	<u>7,000</u>	<u>140,904</u>	<u>(133,904)</u>
Total expenditures	<u>7,000</u>	<u>7,000</u>	<u>140,904</u>	<u>(133,904)</u>
Excess of revenues over (under) expenditures	(6,900)	(6,900)	(83,963)	(77,063)
Fund balance, beginning of year	<u>83,963</u>	<u>83,963</u>	<u>83,963</u>	<u>-</u>
Fund balance, end of year	<u>\$ 77,063</u>	<u>\$ 77,063</u>	<u>\$ -</u>	<u>\$ (77,063)</u>

TOWN OF CHINO VALLEY, ARIZONA
PARKS AND RECREATION IMPACT FEE
Capital Project Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Impact fees	\$ -	\$ -	\$ 16,605	\$ 16,605
Other revenues	-	-	1,846	1,846
Interest	100	100	46	(54)
Total revenue	100	100	18,497	18,397
EXPENDITURES:				
Capital outlay	29,000	29,000	1,277	27,723
Total expenditures	29,000	29,000	1,277	27,723
Excess of revenues over (under) expenditures	(28,900)	(28,900)	17,220	46,120
Fund balance, beginning of year	23,394	23,394	23,394	-
Fund balance, end of year	\$ (5,506)	\$ (5,506)	\$ 40,614	\$ 46,120

TOWN OF CHINO VALLEY, ARIZONA
ROADS IMPACT FEE
Capital Project Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2014

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES:				
Impact Fees	\$ -	\$ -	\$ 155,801	\$ 155,801
Interest	2,000	2,000	986	(1,014)
Total Revenue	2,000	2,000	156,787	154,787
EXPENDITURES:				
Capital outlay	-	-	-	-
Total Expenditures	-	-	-	-
Excess of revenues over (under) expenditures	2,000	2,000	156,787	154,787
Other Financing Sources (uses):				
Transfers out	(1,000,000)	(1,000,000)	(756,633)	(243,367)
Net change in fund balance	(998,000)	(998,000)	(599,846)	(88,580)
Fund balance, beginning of year	1,951,941	1,951,941	1,951,941	-
Fund balance, end of year	\$ 953,941	\$ 953,941	\$ 1,352,095	\$ (88,580)

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STATISTICAL SECTION

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

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

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

Fiscal Year

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Governmental Activities										
Net Investment in Capital Assets:	\$ 3,682,665	\$ 3,389,640	\$ 3,061,154	\$ 4,337,598	\$ 2,028,364	\$ 1,800,961	\$ 1,335,678	\$ 1,484,070	\$ 2,509,616	\$ 3,960,511
Restricted	3,502,026	4,800,924	4,786,087	4,000,072	6,668,333	6,207,107	4,732,926	4,280,241	3,556,297	3,331,847
Unrestricted	880,013	1,078,861	1,095,459	1,415,418	1,809,426	2,144,281	2,375,715	2,430,076	3,485,697	3,189,272
Total Governmental Activities Net Assets	<u>\$ 8,064,704</u>	<u>\$ 9,269,425</u>	<u>\$ 8,942,700</u>	<u>\$ 9,753,088</u>	<u>\$ 10,506,123</u>	<u>\$ 10,152,349</u>	<u>\$ 8,444,319</u>	<u>\$ 8,194,387</u>	<u>\$ 9,551,610</u>	<u>\$ 10,481,630</u>
Business-type activities										
Net Investment in Capital Assets:	\$ 5,946,020	\$ 8,326,621	\$ 14,170,758	\$ 14,081,988	\$ 16,782,113	\$ 18,486,662	\$ 17,662,445	\$ 17,042,946	\$ 16,360,590	\$ 15,658,866
Restricted				154,608	231,283	379,394	459,182	458,987	524,391	637,600
Unrestricted	(2,877,709)	(3,505,375)	(6,859,504)	(4,992,441)	(2,992,737)	(3,022,133)	(3,193,523)	(3,399,728)	(3,906,099)	(4,386,202)
Total Business-Type Activities Net Assets	<u>\$ 3,068,311</u>	<u>\$ 4,821,246</u>	<u>\$ 7,311,254</u>	<u>\$ 9,244,155</u>	<u>\$ 14,020,659</u>	<u>\$ 15,843,923</u>	<u>\$ 14,928,104</u>	<u>\$ 14,102,205</u>	<u>\$ 12,978,882</u>	<u>\$ 11,910,264</u>
Primary government										
Net Investment in Capital Assets:	\$ 9,628,685	\$ 11,716,261	\$ 17,231,912	\$ 18,419,586	\$ 18,810,477	\$ 20,287,623	\$ 18,998,123	\$ 18,527,016	\$ 18,870,206	\$ 19,619,377
Restricted	3,502,026	4,800,924	4,786,087	4,154,680	6,899,616	6,586,501	5,192,108	4,739,228	4,080,688	3,969,447
Unrestricted	(1,997,696)	(2,426,514)	(5,764,045)	(3,577,023)	(1,183,311)	(877,852)	(817,808)	(969,652)	(420,402)	(1,196,930)
	<u>\$ 11,133,015</u>	<u>\$ 14,090,671</u>	<u>\$ 16,253,954</u>	<u>\$ 18,997,243</u>	<u>\$ 24,526,782</u>	<u>\$ 25,996,272</u>	<u>\$ 23,372,423</u>	<u>\$ 22,296,592</u>	<u>\$ 22,530,492</u>	<u>\$ 22,391,894</u>

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

Expenses	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities:										
General Government	\$ 3,625,084	\$ 4,023,776	\$ 4,786,152	\$ 4,435,347	\$ 1,678,308	\$ 2,911,780	\$ 3,115,747	\$ 2,867,718	\$ 3,015,601	\$ 3,414,324
Public Safety	2,210,581	2,758,309	3,017,124	2,995,168	2,943,285	2,678,291	2,750,768	2,467,357	2,472,409	2,414,104
Streets	626,537	1,384,603	1,062,752	1,006,950	1,051,760	1,778,978	1,531,504	707,108	721,841	1,301,632
Culture and Recreation	1,032,189	1,271,778	1,875,435	1,936,070	1,345,011	1,254,221	1,390,896	1,226,036	1,198,383	1,200,623
Health and Welfare					260,604	212,537	247,530	232,990	239,226	256,884
Interest on Long-Term Debt	198,185	294,308	336,559	304,451	26,742	20,867	1,266,752	514,714	508,898	569,141
Total Governmental Activities Expenses	7,692,576	9,732,774	11,078,022	10,677,986	7,305,710	8,856,674	10,303,197	8,015,923	8,156,358	9,156,708
Business-Type Activities:										
Water	441,103	869,747	1,015,765	985,011	757,920	512,123	667,534	655,975	733,396	809,977
Sewer	339,233	529,588	510,678	765,551	1,534,611	2,097,818	2,192,778	2,187,974	2,221,272	2,459,646
Total Business-Type Activities Expenses	780,336	1,399,335	1,526,443	1,750,562	2,292,531	2,609,941	2,860,312	2,843,949	2,954,668	3,269,632
Total Primary Government Expenses	\$ 8,472,912	\$ 11,132,109	\$ 12,604,465	\$ 12,428,548	\$ 9,598,241	\$ 11,466,615	\$ 13,163,509	\$ 10,859,872	\$ 11,111,026	\$ 12,426,331
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	1,191,623	1,066,095	1,012,311	897,707	351,583	239,945	243,740	356,527	546,893	270,586
Public Safety					212,815	178,412	178,644	162,082	169,389	159,271
Streets						5,570	1,719	1,504	10,985	8,200
Culture and Recreation	52,391	137,598	138,394	123,472	48,825	63,581	80,687	86,244	88,189	87,724
Health and Welfare					24,601	13,161	12,078	11,188	9,281	5,647
Operating Grants and Contributions	1,213,497	1,429,677	1,665,164	1,395,476	1,423,164	1,436,082	1,345,516	1,199,771	1,006,900	1,144,777
Capital Grants and Contributions		10,000	587,978	115,665	220,362	212,012	606,874	206,591	1,003,311	593,475
Total Governmental Activities Program Revenues	2,457,511	2,643,370	3,403,847	2,532,320	2,281,350	2,148,763	2,469,258	2,023,907	2,834,948	2,269,680
Business-Type Activities:										
Charges for Services:										
Water	305,934	1,002,255	1,115,569	626,118	434,025	390,036	406,119	416,219	439,577	380,619
Sewer	512,989	758,836	777,302	928,646	863,450	1,025,172	1,103,636	1,088,471	1,069,377	1,218,343
Operating Grants and Contributions				150,258	172,473			177,612	-	-
Capital Grants and Contributions	602,662			1,548,248	4,448,641	2,358,756	135,718	58,538	114,730	367,470
Total Business-Type Activities Program Revenues	1,421,585	1,761,091	1,892,871	3,253,270	5,918,589	3,773,964	1,645,473	1,740,840	1,623,684	1,966,432
Total Primary Government Program Revenues	\$ 3,879,096	\$ 4,404,461	\$ 5,296,718	\$ 5,785,590	\$ 8,199,939	\$ 5,922,727	\$ 4,114,731	\$ 3,764,747	\$ 4,458,632	\$ 4,236,112

(continued)

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Net (expense)/revenue										
Governmental Activities	\$ (5,235,065)	\$ (7,089,404)	\$ (7,674,175)	\$ (8,145,666)	\$ (5,024,360)	\$ (6,707,911)	\$ (7,833,939)	\$ (5,992,016)	\$ (5,321,410)	\$ (6,887,028)
Business-Type Activities	641,249	361,756	366,428	1,502,708	3,626,058	1,164,023	(1,214,839)	(1,103,109)	(1,330,984)	(1,303,191)
Total Primary Government Net Expense	<u>\$ (4,593,816)</u>	<u>\$ (6,727,648)</u>	<u>\$ (7,307,747)</u>	<u>\$ (6,642,958)</u>	<u>\$ (1,398,302)</u>	<u>\$ (5,543,888)</u>	<u>\$ (9,048,778)</u>	<u>\$ (7,095,125)</u>	<u>\$ (6,652,394)</u>	<u>\$ (8,190,219)</u>
General Revenues and Other Changes in Net Position										
Governmental Activities:										
City Sales Tax	\$ 3,853,024	\$ 5,812,580	\$ 5,051,201	\$ 4,863,355	4,434,620	\$ 3,571,732	\$ 3,379,524	\$ 3,507,894	\$ 3,882,227	\$ 5,147,065
State Sales taxes					980,616	904,475	932,899	845,244	885,391	941,542
Auto Lieu Tax					727,395	669,831	656,953	555,907	564,341	596,994
State Sales taxes-Revenue Sharing	2,056,084	2,387,097	3,362,410	3,633,480	1,836,536	1,591,287	1,199,626	912,963	1,104,933	1,205,692
Property tax						3,375	3,770	4,042	3,809	3,682
Franchise tax	122,526	138,594	151,157	153,585	151,439	147,167	142,101	138,431	133,055	135,183
Impact Fees	1,229,024	1,023,035	579,617	369,126						
Other	212,061	29,938	56,459	10,094						
Unrestricted Investment Earnings	152,707	263,045	257,380	346,008	74,574	9,992	72,706	11,824	14,498	2,775
Gain on Sale of Assets					(3,436)	77,140		9,795	-	4,115
Transfers	(1,450,597)	(1,360,164)	(2,110,774)	(419,596)	(1,110,331)	(620,862)	(261,670)	(244,016)	(362,988)	(220,000)
Total Governmental Activities	<u>6,174,829</u>	<u>8,294,125</u>	<u>7,347,450</u>	<u>8,956,052</u>	<u>7,091,413</u>	<u>6,354,137</u>	<u>6,125,909</u>	<u>5,742,084</u>	<u>6,225,266</u>	<u>7,817,048</u>
Business-Type Activities:										
Unrestricted Investment Earnings	12,703	31,015	12,806	10,596	40,115	38,379	37,350	33,194	27,827	14,573
Grants and Contributions not restricted										
Transfers	1,450,597	1,360,164	2,110,774	419,596	1,110,331	620,862	261,670	244,016	362,988	220,000
Total Business-Type Activities	<u>1,463,300</u>	<u>1,391,179</u>	<u>2,123,580</u>	<u>430,192</u>	<u>1,150,446</u>	<u>659,241</u>	<u>299,020</u>	<u>277,210</u>	<u>390,815</u>	<u>234,573</u>
Total Primary Government	<u>\$ 7,638,129</u>	<u>\$ 9,685,304</u>	<u>\$ 9,471,030</u>	<u>\$ 9,386,244</u>	<u>\$ 8,241,859</u>	<u>\$ 7,013,378</u>	<u>\$ 6,424,929</u>	<u>\$ 6,019,294</u>	<u>\$ 6,616,081</u>	<u>\$ 8,051,621</u>
Change in Net Asset										
Governmental Activities	\$ 939,764	\$ 1,204,721	\$ (326,725)	\$ 810,386	\$ 2,067,053	\$ (353,774)	\$ (1,708,030)	\$ (249,932)	\$ 903,856	\$ 930,020
Business-Type Activities	2,104,549	1,752,935	2,490,008	1,932,900	4,776,504	1,823,264	(915,819)	(825,899)	(940,169)	(1,068,618)
Total Primary Government	<u>\$ 3,044,313</u>	<u>\$ 2,957,656</u>	<u>\$ 2,163,283</u>	<u>\$ 2,743,286</u>	<u>\$ 6,843,557</u>	<u>\$ 1,469,490</u>	<u>\$ (2,623,849)</u>	<u>\$ (1,075,831)</u>	<u>\$ (36,313)</u>	<u>\$ (138,598)</u>

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
General Fund										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,732	\$ 2,208	\$ 7,039	\$ 5,078
Restricted	7,448	15,314	5,942	2,345	2,112	11,240	-	67,272	212,680	73,735
Assigned	-	-	-	-	-	-	-	42,111	140,468	144,040
Unassigned	1,041,209	1,370,306	1,256,702	1,558,352	2,218,190	2,578,941	2,715,237	2,716,403	3,092,751	3,830,737
Total General Fund	<u>\$ 1,048,657</u>	<u>\$ 1,385,620</u>	<u>\$ 1,262,644</u>	<u>\$ 1,560,697</u>	<u>\$ 2,220,302</u>	<u>\$ 2,590,181</u>	<u>\$ 2,722,969</u>	<u>\$ 2,827,994</u>	<u>\$ 3,452,938</u>	<u>\$ 4,053,590</u>
All other Governmental Funds										
Restricted:										
Highways and Streets	\$ 988,050	\$ 1,138,885	\$ 1,558,969	\$ 1,387,080	\$ 997,827	\$ 1,486,838	\$ 638,866	\$ 747,681	\$ 923,837	\$ 680,219
Development Impact Fees	6,710,920	4,213,929	7,110,582	4,866,749	5,637,347	4,639,329	3,075,999	2,895,908	2,138,187	1,475,498
Debt Service			40,452				374,013	499,053	285,557	292,213
Public Safety								70,327	136,504	51,085
Grants							118,198			
Other Purposes				90	31,047	69,700				2,464
Assigned for:										
Capital Improvements							518,462	304,452	129,103	488,624
Unassigned:							(344)			
Total all other Governmental Fund:	<u>\$ 7,698,970</u>	<u>\$ 5,352,814</u>	<u>\$ 8,710,003</u>	<u>\$ 6,253,919</u>	<u>\$ 6,666,221</u>	<u>\$ 6,195,867</u>	<u>\$ 4,725,194</u>	<u>\$ 4,517,421</u>	<u>\$ 3,613,188</u>	<u>\$ 2,990,103</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.

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Revenues										
Taxes	\$ 3,975,550	\$ 5,951,174	\$ 5,202,358	\$ 5,016,940	\$ 4,586,059	\$ 3,722,276	\$ 3,525,394	\$ 3,650,366	\$ 4,019,091	\$ 5,285,931
Licenses and Permits	830,814	709,453	530,420	480,940	223,658	174,077	177,433	281,820	178,614	250,285
Intergovernmental	3,265,114	3,807,126	5,020,916	5,052,787	4,872,059	4,750,169	4,664,352	3,541,795	4,443,541	4,252,919
Charges for Services	183,561	187,043	263,791	226,989	137,874	107,176	123,242	150,323	438,798	93,961
Fines and Forfeitures	229,639	271,486	335,924	300,575	272,281	215,818	211,102	183,666	192,564	176,986
Impact Fees	1,229,024	1,023,035	579,617	369,126	126,014	22,522		11,132	29,764	194,873
Interest	152,707	263,045	257,380	346,008	74,574	9,992	72,706	11,824	14,498	2,775
Other Revenues	216,528	85,297	671,665	114,603	194,010	44,592	54,608	169,286	106,335	44,879
Total Revenues	\$ 10,082,937	\$ 12,297,659	\$ 12,862,071	\$ 11,907,968	\$ 10,486,529	\$ 9,046,622	\$ 8,828,837	\$ 8,000,212	\$ 9,423,205	\$ 10,302,609
Expenditures										
Current:										
General Government	\$ 3,619,239	\$ 3,961,986	\$ 4,609,763	\$ 3,964,809	\$ 3,149,155	\$ 2,781,391	\$ 3,229,263	\$ 2,774,513	\$ 2,831,438	\$ 3,309,301
Public Safety	2,099,080	2,881,915	2,899,877	2,814,527	2,767,352	2,570,408	2,621,419	2,459,829	2,402,089	2,565,994
Public Works	512,744	1,282,393	942,080	863,704	685,248	478,017	1,350,212	559,413	587,631	1,037,923
Culture and Recreation	928,815	1,376,890	1,533,614	1,523,187	976,041	900,389	1,020,998	959,040	827,282	824,111
Health and Welfare					226,030	177,330	213,973	211,961	227,476	249,419
Capital Outlay	3,305,746	4,587,634	4,639,516	1,034,220	394,839	1,551,991	1,223,077	306,271	1,981,052	1,408,246
Debt service	\$ -	-	-	-	-	-	-	-	-	-
Principal	227,275	181,633	435,455	453,808			7,280,000	153,979	37,028	65,000
Interest	464,075	292,267	410,293	312,418	163,522	143,849	257,403	464,651	586,858	509,000
Total Expenditures	11,156,974	14,564,718	15,470,598	10,966,673	8,362,187	8,603,375	17,196,345	7,889,657	9,480,854	9,968,994
Revenues over (under) Expenditures	(1,074,037)	(2,267,059)	(2,608,527)	941,295	2,124,342	443,247	(8,367,508)	110,555	(57,649)	333,615
Other Finance Sources (Uses)										
Sale of Assets					57,896	77,140	11,293	30,713	879	4,420
Bond Proceeds	7,699,513	250,000	5,708,492	-			7,280,000			
Payment to refunded debt escrow agent				(2,999,018)						
Transfers in		662,642	1,642,188	4,683,257	364,768	429,833	1,666,199	1,321,598	1,023,203	1,394,732
Transfers out	(330,125)	(662,642)	(1,498,568)	(4,779,968)	(1,475,099)	(1,050,695)	(1,927,869)	(1,565,614)	(1,386,191)	(1,614,732)
Total other Finance Sources (uses)	7,369,388	250,000	5,852,112	(3,095,729)	(1,052,435)	(543,722)	7,029,623	(213,303)	(362,109)	(215,580)
Net Change in Fund Balances	\$ 6,295,351	\$ (2,017,059)	\$ 3,243,585	\$ (2,154,434)	\$ 1,071,907	\$ (100,475)	\$ (1,337,885)	\$ (102,748)	\$ (419,758)	\$ 118,035
Debt Service as a Percentage of Noncapital Expenditures	68.56%	4.41%	-95.73%	7.24%	2.48%	1.78%	46.93%	8.47%	8.38%	6.84%

Town of Chino Valley, Arizona
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	
2004-2005	55,206,997	442,086,141	58,130,830	463,329,305	13%
2005-2006	62,491,905	504,238,915	64,845,063	522,102,669	12%
2006-2007	73,660,808	611,720,593	81,283,795	682,257,529	12%
2007-2008	87,984,637	734,962,056	116,815,366	976,209,959	12%
2008-2009	99,671,389	843,348,902	122,276,572	1,027,145,426	12%
2009-2010	97,702,687	829,906,042	105,453,785	885,502,082	12%
2010-2011	88,307,350	736,203,336	90,631,086	751,939,515	12%
2011-2012	74,109,132	616,331,804	74,322,200	622,456,044	12%
2012-2013	66,970,381	570,467,244	67,121,326	573,338,223	12%
2013-2014	66,507,361	558,648,344	66,893,394	563,576,848	12%

Source: Yavapai County Assessor

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

Tax Authority	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
Town of Chino Valley	-	-	-	-	-	-	-	-	-	-
Yavapai County	1.7000	1.7000	1.6552	1.5292	1.3683	1.2842	1.3524	1.4305	1.6426	1.9308
School Equalization	0.4600	0.4400				0.3306	0.3564	0.4259	0.4717	0.5123
Yavapai College	1.5600	1.4900	1.4308	1.3397	1.1989	1.1250	1.2046	1.4274	1.6725	1.8241
Chino Valley School District	4.1300	3.7900	3.1742	3.7429	3.1492	3.3696	2.7647	3.7791	4.2320	4.9640
Total Primary	<u>7.8500</u>	<u>7.4200</u>	<u>6.2602</u>	<u>6.6118</u>	<u>5.7164</u>	<u>6.1094</u>	<u>5.6781</u>	<u>7.0629</u>	<u>8.0188</u>	<u>9.2312</u>

Source: Yavapai County Treasurer

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

Tax Authority	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
Town of Chino Valley	-	-	-	-	-	-	-	-	-	-
Fire District Assistance	0.1000	0.1000	0.0895	0.0829	0.0722	0.0740	0.0813	0.0928	0.1000	0.1000
Flood Control District	0.2000	0.2000	0.1983	0.1723	0.1723	0.1723	0.1994	0.2483	0.2963	0.2162
Library District	0.1100	0.1100	0.1020	0.1016	0.1020	0.1016	0.1188	0.1456	0.1660	0.1491
Yavapai College	0.2900	0.2600	0.2265	0.1828	0.1405	0.1367	0.1563	0.1901	0.2150	0.2227
Chino Valley School District	1.2100	1.0700	0.9410	0.7133	0.5245	0.5486	0.5747	0.6739	0.7845	0.0500
Chino Valley Fire District	2.0400	2.0400	2.5400	2.6745	2.1280	2.1400	2.3250	2.8220	3.4531	3.5799
Total Secondary	<u>3.9500</u>	<u>3.7800</u>	<u>4.0973</u>	<u>3.9274</u>	<u>3.1395</u>	<u>3.1732</u>	<u>3.4555</u>	<u>4.1727</u>	<u>5.0149</u>	<u>4.3179</u>

Source: Yavapai County Treasurer

Town of Chino Valley, Arizona
Sales Tax Revenues by Industry
Fiscal Years 2014, 2013, 2012, 2011, 2010 and 2009

	Fiscal Year 2008-2009		Fiscal Year 2009-2010		Fiscal Year 2010-2011		Fiscal Year 2011-2012		Fiscal Year 2012-2013		Fiscal Year 2013-2014	
	Tax Paid	Percentage of Total	Tax Paid	Percentage of Total	Tax Paid	Percentage of Total	Tax Paid	Percentage of Total	Tax Paid	Percentage of Total	Tax Paid	Percentage of Total
Construction	\$ 818,432	18.47%	\$ 375,076	10.51%	\$ 165,563	4.90%	\$ 187,286	5.34%	\$ 428,058	11.03%	\$ 363,845	7.38%
Manufacturing	73,620	1.66%	58,754	1.65%	67,278	1.99%	53,107	1.51%	67,869	1.75%	67,904	1.38%
Transportation/Communication/												
Utilities	604,166	13.63%	650,060	18.21%	605,846	17.93%	634,512	18.09%	639,694	16.48%	817,254	16.59%
Wholesale Trade	125,701	2.84%	121,368	3.40%	118,221	3.50%	140,008	3.99%	135,349	3.49%	169,475	3.44%
Retail Trade	1,862,429	42.02%	1,685,231	47.20%	1,670,215	49.42%	1,758,983	50.14%	1,787,495	46.04%	2,457,281	49.87%
Restaurants/Bars	322,470	7.28%	274,082	7.68%	286,598	8.48%	291,732	8.32%	298,752	7.70%	415,200	8.43%
Insurance/Real Estate	425,723	9.61%	264,447	7.41%	248,979	7.37%	262,331	7.48%	273,188	7.04%	332,480	6.75%
Services	78,236	1.77%	60,323	1.69%	68,179	2.02%	88,126	2.51%	101,702	2.62%	128,676	2.61%
All Other	121,365	2.74%	80,827	2.26%	148,645	4.40%	91,809	2.62%	150,121	3.87%	174,950	3.55%
Total	\$ 4,432,142	100.00%	\$ 3,570,169	100.00%	\$ 3,379,524	100.00%	\$ 3,507,893	100.00%	\$ 3,882,227	100.00%	\$ 4,927,064	100.00%

Source: Arizona Department of Revenue

Note:

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

Town of Chino Valley, Arizona
Direct and Overlapping Sales Tax Rates
As of June 30, 2014

	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)	3.000%	6.325%	9.325%
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
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
2004-2005	3,653,493	122,525	756,594	750,772	573,674	5,283,385
2005-2006	5,706,014	138,594	895,535	855,104	661,414	7,595,247
2006-2007	4,843,267	151,157	1,171,457	1,399,327	816,581	7,565,208
2007-2008	4,808,851	153,585	1,132,717	1,734,497	791,220	7,829,650
2008-2009	4,170,358	151,438	980,617	1,836,536	727,395	7,138,949
2009-2010	3,460,446	147,168	904,476	1,591,287	669,831	6,103,377
2010-2011	3,379,524	142,100	932,899	1,199,626	656,953	5,654,149
2011-2012	3,507,894	138,429	845,245	912,963	555,907	5,404,531
2012-2013	3,882,228	133,055	885,392	1,104,933	564,341	6,569,949
2013-2014	5,147,066	135,183	941,543	1,205,692	596,994	8,026,477

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

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

Fiscal Year	Governmental Activities			Business-Type Activities						Total Primary Government	Percentage of Personal Income	Per Capita (a)
	Capital Leases	Revenue Bonds	Loans Payable	Capital Leases	Notes Payable	Loans Payable	Related Party Capital Leases	Revenue Bonds	Developer Agreement			
2004-2005	152,711	7,700,874		42,574	-		3,896,879		507,353	12,300,391	*	1,416
2005-2006	296,078	7,627,915		1,379,574	317,300		3,490,640		507,353	13,618,860	*	1,219
2006-2007	655,623	7,334,956	5,206,824	876,484		1,478,325	3,084,401		444,873	19,081,486	*	1,689
2007-2008	501,815	6,076,997	4,471,816	873,302		10,216,853	3,238,622		426,413	25,805,818	*	2,258
2008-2009	355,694	6,079,038	4,461,808	758,170		10,790,408	4,637,893		424,283	27,507,294	*	2,459
2009-2010	223,371	6,081,079	4,451,800	5,351,967		10,681,637	-		424,283	27,214,137	*	2,477
2010-2011	122,894	7,103,540	3,976,792	4,625,715		10,314,341		746,452	421,443	27,311,177	*	2,523
2011-2012	37,028	7,112,149	3,901,784	4,619,085		9,935,517		746,351	420,733	26,772,647	*	2,477
2012-2013	-	7,120,757	3,891,776	4,619,085		9,544,790		656,251	420,733	26,253,392	*	2,435
2013-2014	-	7,129,365	3,816,768	4,566,425		9,141,772		611,151	420,733	25,686,214	*	2,382

(a) See page 86 for population data.

* Means no data available during that fiscal year.

Town of Chino Valley, Arizona
Computation of Direct and Overlapping Debt
June 30, 2014

Jurisdiction	2013-2014 Secondary Assessed Valuation	Net Debt Outstanding	Percentage Applicable to the Town of Chino Valley	Amount Applicable to the Town of Chino Valley	2013-2014 Combined Tax Rate Per \$100 Assessed
State of Arizona	\$ 55,349,948,120	\$ -	0.12%	\$ -	None
Yavapai County	\$ 2,267,389,484	\$ -	2.95%	\$ -	0.0000%
Chino Valley School District	\$ 177,001,136	\$ -	100.00%	\$ -	0.0500%
Chino Valley Fire District	\$ 104,457,436	\$ 4,235,000	64.04%	\$ 2,712,047	3.5700%
Yavapai County Library District	\$ 2,267,389,484	\$ -	2.95%	\$ -	0.1491%
Yavapai County Community College	\$ 2,267,389,484	\$ 41,610,000	2.95%	\$ 1,227,594	0.2227%
Total Overlapping Debt		<u>\$ 45,845,000</u>		<u>\$ 3,939,642</u>	<u>3.9918%</u>
Town of Chino Valley	\$ 66,893,394	\$ 11,498,963	100.00%	\$ 11,498,963	0.0000%
Total Direct Debt		<u>\$ 11,498,963</u>		<u>\$ 11,498,963</u>	
Total Overlapping and Direct Debt		<u><u>\$ 57,343,963</u></u>		<u><u>\$ 15,438,605</u></u>	<u><u>3.9918%</u></u>

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

Note:

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

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

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

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

	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
Secondary Assessed Value	\$ 50,704,123	\$ 58,130,830	\$ 64,845,063	\$ 81,283,795	\$ 116,815,366	\$ 122,276,572	\$ 105,453,785	\$ 90,631,086	\$ 74,322,200	\$ 67,121,326	\$ 66,893,394
20% Limitation (a)											
Debt Limit Equal to 20% of Assessed Valuation	\$ 10,140,825	\$ 11,626,166	\$ 12,969,013	\$ 16,256,759	\$ 23,363,073	\$ 24,455,314	\$ 21,090,757	\$ 18,126,217	\$ 14,864,440	\$ 13,424,265	\$ 13,378,679
Total Debt Applicable to 20% Limit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Legal 20% Debt Margin (Available Borrowing Capacity)	\$ 10,140,825	\$ 11,626,166	\$ 12,969,013	\$ 16,256,759	\$ 23,363,073	\$ 24,455,314	\$ 21,090,757	\$ 18,126,217	\$ 14,864,440	\$ 13,424,265	\$ 13,378,679
Total Net Debt Applicable to the 20% Limit as a Percentage of 20% Debt Limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
6% Limitation (b)											
Debt Limit Equal to 6% of Assessed Valuation	\$ 3,042,247	\$ 3,487,850	\$ 3,890,704	\$ 4,877,028	\$ 7,008,922	\$ 7,336,594	\$ 6,327,227	\$ 5,437,865	\$ 4,459,332	\$ 4,027,280	\$ 4,013,604
Total Debt Applicable to 6% Limit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Legal 6% Debt Margin (Available Borrowing Capacity)	\$ 3,042,247	\$ 3,487,850	\$ 3,890,704	\$ 4,877,028	\$ 7,008,922	\$ 7,336,594	\$ 6,327,227	\$ 5,437,865	\$ 4,459,332	\$ 4,027,280	\$ 4,013,604
Total Net Debt Applicable to the 6% Limit as a Percentage of 6% Debt Limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Source: Yavapai County Assessor's Office

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

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

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

MPC Revenue Bonds 2010 Series				
Fiscal Year Ended June 30,	Excise Tax Collection	Debt Service		Coverage
		Principal	Interest	
2008	7,829,650		208,195	37.61
2009	7,138,949		331,638	21.53
2010	6,103,377		331,638	18.40
2011	5,654,149		331,638	17.05
2012	5,404,531		331,638	16.30
2013	6,569,949		331,638	19.81
2014	8,026,477		331,638	24.20
GADA 2007 Serues				
Fiscal Year Ended June 30,	Excise Tax Collection	Debt Service		Coverage
		Principal	Interest	
2012	5,404,531		181,344	29.80
2013	6,569,949	-	178,744	36.76
2014	8,026,477	65,000	177,363	33.12
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
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
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
USDA all issues combined				
Fiscal Year Ended June 30,	Excise Tax Collection	Debt Service		Coverage
		Principal	Interest	
2009	7,138,949	10,534	84,816	74.87
2010	6,103,377	42,294	272,447	19.39
2011	5,654,149	88,549	178,979	21.13
2012	5,404,531	92,154	175,257	20.21
2013	6,569,949	96,145	171,383	24.56
2014	8,026,477	100,191	167,336	30.00

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

<u>Fiscal Year</u>	<u>Town Population</u>	<u>County Population</u>	<u>County Personal Income (in thousands)+</u>	<u>County Per Capita Personal Income</u>	<u>School Enrollment</u>	<u>Yavapai County Unemployment Rate</u>
2003-2004	8,506	182,534	4,681,083	26	*	5.1%
2004-2005	8,688	187,623	5,278,898	28	*	4.6%
2005-2006	11,175	196,629	5,816,674	30	*	4.4%
2006-2007	11,296	202,764	6,332,616	31	*	3.9%
2007-2008	11,429	211,211	6,627,607	31	2752	3.6%
2008-2009	11,188	211,917	6,034,069	28	2791	6.0%
2009-2010	10,988	210,899	6,015,150	29	3003	10.3%
2010-2011	10,825	211,247	6,248,490	30	3178	10.9%
2011-2012	10,808	211,583	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	*	*	3019	8.6%

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

* Detailed information not available.

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

Employer	2014		2013		2012	
	Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment
Chino Valley Unified School	250	2.32%	400	3.71%	440	4.07%
Safeway	140	1.30%	140	1.30%	140	1.30%
Town of Chino Valley	89	0.83%	91	0.84%	85	0.79%
Bar S Machine	45	0.42%	45	0.42%	44	0.41%
Chino Medical Center	43	0.40%	42	0.39%	42	0.39%
Bonn Fire Grill	40	0.37%	35	0.32%	35	0.32%
Performance Accessories	36	0.33%	35	0.32%	40	0.37%
Arizona Highway Safety Specialists	35	0.32%	29	0.27%	35	0.32%
Color Spot	30	0.28%	45	0.42%	46	0.43%
Circle L Animal Hospital	21	0.19%	20	0.19%	20	0.19%
	729	6.76%	882	8.18%	927	8.58%

Sources: Central Arizona Regional Economic Development Foundation; various employers

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

Fiscal Year	Function/Program							Total
	General Government	Public Safety	Culture & Recreation	Health and Welfare	Public Works/Streets	Public Works/Water	Public Works/Sewer	
2004-2005	*	*	*	*	*	*	*	*
2005-2006	49	43	18	4	9	5	0	128
2006-2007	48	42	17	4	9	6	0	126
2007-2008	38	40	11	4	7	5	0	105
2008-2009	34	37	11	3	6	4	2	97
2009-2010	33	37	12	3	6	5	3	99
2010-2011	27	33	9	3	9	3	4	88
2011-2012	26	30	9	3	9	4	4	85
2012-2013	30	30	9	3	11	4	4	91
2013-2014	29	30.5	8	3.5	11	3.5	3.5	89

Source: Town of Chino Valley Budget

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

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

Function/Program	Fiscal Year									
	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
General Government										
Registered Voters	4,357	*	4,721	*	5,736	*	5,766	*	6,027	*
Votes cast last primary election	1,640	*	2,022	*	2,561	*	2,256	*	2,092	*
Police										
Number of police personnel and officers	*	43	42	40	37	37	33	30	30	30
Arrests	*	*	*	642	567	512	388	358	262	440
Citations	*	*	*	1,910	1,418	1,872	1,550	1,539	756	934
Traffic Stops	*	*	*	3,916	4,364	5,466	5,298	5,715	3,503	3,067
Security Checks	*	*	*	*	*	1,289	2,004	1,906	4,717	2,425
Officer Reports	*	*	*	5,500	6,350	8,765	8,032	10,662	6,643	7,700
Calls for Service	*	*	*	11,801	11,855	14,514	13,091	15,350	10,367	11,870
Animal Control										
Animal Related Calls	*	*	*	*	1,060	938	1,099	785	945	829
Impounded Dogs	*	*	*	*	398	236	330	309	297	315
Adopted Dogs	*	*	*	*	61	*	*	109	102	121
Dog Licenses Sold	*	*	*	*	*	2,137	1,996	1,666	1,700	1,807
Highways & Streets										
Miles of Paved Roads Maintained	*	*	*	*	*	*	157.4	157.4	157.4	162.87
Street resurfacing (miles)	*	*	*	*	*	*	0	0	4	0
Street sweeping (miles)	*	*	*	*	*	*	0	13	13	13
Potholes repaired (cold mix tons)	*	*	*	*	*	186	144	149	214	168
Water										
Number of wells	19	19	19	19	19	19	19	19	19	19
Total well production (acre feet)	84	143	188	303	254	245	233	240	255	250
Number of metered accounts	125	391	484	607	607	607	607	607	607	626
New Residential Connections	0	266	93	123	0	0	0	0	0	19
Number of Water Tanks	1	1	1	2	2	2	2	2	2	2
Storage Capacity (mg)	0.165	0.165	0.165	1.165	1.165	1.165	1.165	1.165	1.165	1.165
Miles of Water Mains	*	19.5	19.5	20.5	20.5	20.5	20.5	20.5	20.5	21.0
Line Breaks	*	*	0	0	3	3	0	1	0	0
Average Daily Consumption (thousand of gallons)	75	127	168	270	227	219	208	213	228	223
Number of Fire Hydrant	*	*	*	103	103	103	103	103	103	103
Wastewater										
Number of active accounts	0	0	0	1,080	1,640	1,669	1,672	1,672	1,685	1,689
Average daily sewage treatment gallons	0	0	0	0	243,000	299,000	295,000	321,000	324,000	325,000
Plant Capacity per day gallons	0	125,000	250,000	250,000	500,000	500,000	500,000	500,000	500,000	500,000
Gallons Recharged in Aquifer (acre feet)					228	235	225	230	242	244

(Continued)

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

Function/Program	Fiscal Year									
	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
Facilities Maintenance										
Number of Buildings Maintained	*	*	*	19	19	19	19	20	20	20
Square Footage of Buildings Maintained	*	*	*	55,704	55,704	55,704	55,704	55,704	55,704	55,704
Number of HVAC Unites Maintained	*	*	*	42	42	42	42	44	44	44
Parks and Recreation										
Park Areas	*	*	*	*	*	114	114	114	114	114
Total Miles of Trails	*	*	*	*	*	3	3	3	3	3
Parkland Acreage	*	*	*	*	*	2	2	2	9	9
Total Open Space Acres	*	*	*	*	*	89	89	89	82	82
Total Acres of Turf	*	*	*	*	*	20	20	20	20	20
Gallons of Water User per Acre of Turf	*	*	*	*	*	*	*	1,041,365	931,758	700,974
Playgrounds	2	2	2	2	2	2	2	2	2	2
Aquatic Center Admissions	*	*	*	*	*	*	*	12,324	11,189	13,237
Economic Development										
Building Permits-Commercial	31	21	23	20	17	18	11	19	4	17
Building Permits-Residential	577	451	727	423	163	194	167	165	15	44
Housing Rehabilitations	*	*	*	*	*	*	*	*	8	0
Code Enforcement Cases	*	719	573	261	293	216	256	183	208	176
Planning Cases	1	17	7	2	11	8	6	11	17	14
Culture - Library										
Items in Collections	38,704	47,259	54,404	55,011	48,882	47,957	52,334	50,581	73,055	44,249
Total Items Circulated	99,252	167,204	147,590	131,697	131,446	129,982	90,700	110,926	108,515	114,171
Reference Transactions	4,688	5,000	4,362	4,431	4,008	3,209	5,863	5,753	4,999	4,551
Computer Uses	503	15,500	15,500	15,000	15,000	15,000	15,600	15,600	15,603	15,307
Inter Library Loan	7,025	10,271	10,227	10,591	10,916	11,362	18,696	8,904	18,061	25,696
Total Library Attendance	63,108	70,441	75,005	75,971	72,302	59,082	68,791	68,934	60,273	60,380
Culture - Senior Center										
Total Meals Served in House	*	*	*	*	11,030	10,267	9,205	8,565	8,493	10,211
Total Meals on Wheels	*	*	*	*	12,266	12,085	13,077	8,091	9,101	8,264

Sources: Various City Departments

Note: Voter registration is taken every two years.

* Not available

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

Function/Program	<u>2004-2005</u>	<u>2005-2006</u>	<u>2006-2007</u>	<u>2007-2008</u>	<u>2008-2009</u>	<u>2009-2010</u>	<u>2010-2011</u>	<u>2011-2012</u>	<u>2012-2013</u>	<u>2013-2014</u>
Public Safety										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	7	11	16	17	20	19	21	19	19	19
Highways and Streets										
Streets (miles)	*	*	*	*	*	*	157.4	157.4	157.4	157.4
Water										
Water mains (miles)	*	19.5	19.5	19.5	19.5	19.5	19.5	19.5	19.5	19.5
Fire hydrants	*	*	*	103	103	103	103	103	103	103
Sewer										
Sanitary Sewer (miles)				23	23	23	23	23	23	23
Maximum daily treatment capacity (thousands of gallons)	125,000	125,000	250,000	250,000	500,000	500,000	500,000	500,000	500,000	500,000
Recreation and Aquatics										
Parks Acreage	*	*	*	47	47	47	47	47	47	47
Number of Parks	5	5	5	5	5	5	5	5	5	5
Swimming Pools	0	1	1	1	1	1	1	1	1	1
Ball Fields	2	2	2	6	6	6	6	6	6	6

* Not available

Sources: Various City Departments

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OTHER COMMUNICATIONS FROM INDEPENDENT AUDITORS

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

The Honorable Mayor and
Town Council
Chino Valley, Arizona

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Chino Valley, Arizona, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town of Chino Valley's basic financial statements and have issued our report thereon dated December 15, 2014.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



HintonBurdick, PLLC
Flagstaff, Arizona
December 15, 2014

Independent Auditors' Report on State Legal Compliance

The Honorable Mayor and
Town Council
Chino Valley, Arizona

We have audited the basic financial statements of the Town of Chino Valley, Arizona for the year ended June 30, 2014, and have issued our report thereon dated December 15, 2014. Our audit also included test work on the Town of Chino Valley's compliance with selected requirements identified in the State of Arizona Revised Statutes and the Arizona State Constitution including, but not limited to, Title 28, Chapter 18, Article 2.

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

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

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

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

In our opinion, The Town of Chino Valley complied, in all material respects, with the requirements identified above for the year ended June 30, 2014.

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

A handwritten signature in black ink that reads "Hinton Burdick, PLLC". The signature is written in a cursive, flowing style.

HintonBurdick, PLLC
Flagstaff, Arizona
December 15, 2014

TOWN OF CHINO VALLEY, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT
JUNE 30, 2014
WITH REPORT OF
CERTIFIED PUBLIC ACCOUNTANTS

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Independent Accountants' Report

The Auditor General of the State of Arizona and
The Honorable Mayor and Town Council
Town of Chino Valley, Arizona

We have examined the accompanying Annual Expenditure Limitation Report of the Town of Chino Valley, Arizona, for the year ended June 30, 2014. This report is the responsibility of the Town of Chino Valley, Arizona's management. Our responsibility is to express an opinion on this report based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the amounts and disclosures in the report and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the Annual Expenditure Limitation Report of the Town of Chino Valley, Arizona, referred to above presents, in all material respects, the information prescribed by the uniform expenditure reporting system as described in Note 1.

HintonBurdick, PLLC
December 15, 2014

TOWN OF CHINO VALLEY, ARIZONA
Annual Expenditure Limitation Report – Part I
Year Ended June 30, 2014

1. Economic Estimates Commission expenditure limitation	N/A	
2. Voter-approved alternative expenditure limitation (Approved March 12, 2013)	<u>\$ 16,769,266</u>	
3. Enter applicable amount from line 1 or line 2		16,769,266
4. Amount subject to the expenditure limitation (total amount from Part II, Line C)	12,333,629	
5. Board-authorized expenditures necessitated by a disaster declared by the Governor (Article IX, Sec. 20(2)(a),	N/A	
6. Board-authorized expenditures necessitated by a disaster not declared by the Governor (Article IX, Sec. 20(2)(b), Arizona Constitution)	N/A	
7. Prior-year voter-approved expenditures to exceed the expenditure limitation for the reporting fiscal year (Article IX, Sec. 20(2)(c), Arizona Constitution)	N/A	
8. Qualifying capital improvement expenditures repaid in accordance with A.R.S. Sec. 41-1279.07(I)	<u>N/A</u>	
9. Subtotal	12,333,629	
10. Board-authorized excess expenditures for the previous fiscal year necessitated by a disaster not declared by the Governor and not approved by the voters (Article IX, Sec. 20(2)(b), Arizona Constitution)	<u>N/A</u>	
11. Total adjusted amount subject to the expenditure limitation		<u>12,333,629</u>
12. Amount under (in excess of) the expenditure limitation (If excess expenditures are reported, provide an explanation)		<u>\$ 4,435,637</u>

I hereby certify, to the best of my knowledge and belief, that the information contained in this report is accurate and in accordance with the requirements of the uniform expenditure reporting system.

Signature of Chief Fiscal Officer: _____

Name and Title: Joe Duffy, Finance Director

Telephone Number: (928) 636-2646 Date: _____

See accompanying notes to report.

TOWN OF CHINO VALLEY, ARIZONA
Annual Expenditure Limitation Report – Part II
Year Ended June 30, 2014

Description	Governmental Funds	Enterprise Funds	Total
A. Amounts reported on the Reconciliation Line D	\$ 9,968,994	\$ 2,364,635	\$ 12,333,629
B. Less exclusions claimed:			
1. Bond proceeds	-	-	-
Debt service requirements on bonded indebtedness	-	-	-
Proceeds from other long-term obligations	-	-	-
Debt service requirements on other long-term obligations	-	-	-
2. Dividends, interest and gains on the sale or redemption of investment securities	-	-	-
3. Trustee or custodian	-	-	-
4. Grants and aid from the Federal government	-	-	-
5. Grants, aid, contributions, or gifts from a private agency, organization, or individual except amounts received in lieu of taxes	-	-	-
6. Amounts received from the State of Arizona	-	-	-
7. Quasi-external interfund transactions	-	-	-
8. Amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvements	-	-	-
9. Highway user revenues in excess of those received in fiscal year 1979-80	-	-	-
10. Contracts with other political subdivisions	-	-	-
11. Refunds, reimbursements, and other recoveries	-	-	-
12. Voter-approved exclusions not identified above (attach resolution)	-	-	-
13. Prior years carryforward	-	-	-
14. Total exclusions claimed	-	-	-
C. Amount subject to the expenditure limitation (If an individual fund type amount is negative, reduce exclusions claimed to net to zero.)	\$ 9,968,994	\$ 2,364,635	\$ 12,333,629
	\$ 9,968,994	\$ 2,364,635	\$ 12,333,629

See accompanying notes to report.

TOWN OF CHINO VALLEY, ARIZONA
Annual Expenditure Limitation Report – Reconciliation
Year Ended June 30, 2014

Description	Governmental Funds	Enterprise Funds	Total
A. Total expenditures/expenses/deductions and applicable other financing uses, special items, and extraordinary items reported within the fund based financial statements	\$ 9,968,994	\$ 3,269,623	\$ 13,238,617
B. Subtractions			
1. Items not requiring use of working capital:			
Depreciation	-	1,227,123	1,227,123
Loss on disposal of capital assets	-	-	-
Bad debt expense	-	203,164	203,164
Other postemployment benefits expense	-	-	-
Claims incurred but not reported	-	-	-
Landfill closure and postclosure care costs	-	-	-
2. Expenditures of separate legal entities established under Arizona Revised Statutes	-	-	-
3. Present value of net minimum capital lease and installment purchase contract payments recorded as expenditures at inception of the agreements	-	-	-
4. Involuntary court judgments	-	-	-
6. Total subtractions	-	1,430,287	1,430,287
C. Additions:			
1. Principal payments on long-term debt	-	500,679	500,679
2. Acquisition of capital assets	-	24,620	24,620
3. Other postemployment benefits paid in the current year but reported as expenses in previous years	-	-	-
4. Claims paid in current year but reported as expenses incurred but not reported in prior years	-	-	-
5. Landfill closure and postclosure care costs paid in the current year but reported as expenses in previous years	-	-	-
6. Total additions	-	525,299	525,299
D. Amounts reported on Part II, Line A	\$ 9,968,994	\$ 2,364,635	\$ 12,333,629

See accompanying notes to report.

TOWN OF CHINO VALLEY, ARIZONA
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2014

Note 1. Summary of Significant Accounting Policies

The Annual Expenditure Limitation Report (AELR) is presented as prescribed by the *Uniform Expenditure Reporting System* (UERS), as required by Arizona Revised Statutes §41-1279.07, and in accordance with the voter-approved alternative expenditure limitation adopted March 12, 2013, as authorized by the Arizona Constitution, Article IX, §20 (9).

In accordance with the UERS requirements, a note to the AELR is presented below for any exclusion claimed on part II and each subtraction or addition in the Reconciliation that cannot be traced directly to an amount reported in the fund financial statements. All references to financial statement amounts in the following notes refer to the Statement of Revenues, Expenditures, and Changes in Fund Balances for the Governmental Funds, Statement of Revenues, Expenses, and Changes in Net Position for the Proprietary Funds, Statement of Cash Flows for the Proprietary Funds, and the Statement of Changes in Fiduciary Net Position for the Fiduciary Funds.

Note 2. Reconciliation Deductions and Additions

The deductions for depreciation and bad debt expense and the additions for principal payments and the acquisition of capital assets are all provided in the Statement of Revenues, Expenses, and Changes in Fund Net Position for the proprietary funds; the Statement of Cash Flows for the proprietary funds and the financial statement footnotes 6 and 7.

The addition of principal payments on long-term debt in the Enterprise Funds consists of \$500,679 paid on bonds and loans payable, during the current fiscal year. The addition for the acquisition of capital assets consists of \$24,620 paid for various capital assets in the Water and Sewer funds.



**Findings, Recommendations and Responses
For the Fiscal Year Ended June 30, 2014**

The Honorable Mayor and
Town Council
Chino Valley, Arizona

Professional standards require that we communicate, in writing; deficiencies in internal control over financial reporting that are considered significant deficiencies or material weaknesses that are identified during the audit of the financial statements. We wish to commend the Town for their achievements with the Town's accounting and budgeting system. During our audit of the Town of Chino Valley, Arizona for the fiscal year ended June 30, 2014, we found a circumstance that, if improved, would strengthen the Town's accounting system and control over its assets. This item is discussed below for your consideration.

INTERNAL CONTROL OVER FINANCIAL REPORTING:

Material Weaknesses:

None Noted

COMPLIANCE AND OTHER MATTERS:

Compliance:

None noted

Other Matters:

09-05 Utility Fund Operating Losses – prior year reissued

Finding

The Water and Sewer funds experienced operating losses of \$402,463 and \$944,215, respectively for the fiscal year ended June 30, 2014. Generally, in a business-type fund, the operating revenues should cover the operating expenses. The Water and Sewer funds have a working capital loan balance of \$1,270,429 and \$466,715, respectively, outstanding and payable to the General fund. However, management is aware of the loans and they are making efforts to eliminate the balance.

Recommendations

We understand that management is aware of the operating deficits and the inter-fund loans. We recommend that the Town closely monitor cash balances and financial activity and consider appropriations from other funds or other actions as necessary to ensure that sufficient cash flows are available to pay operating costs, pay back the other funds and make future capital investments. The Council and management should continue with efforts to eliminate the loan.

Response

On February 12, 2013 the Town Council approved a Water & Sewer rate increase that will increase both water and sewer rates over the next 5 year.

The Finance Department has made and will continue to make the Town Council aware of: the inter-fund loans; the impact of those inter-fund loans, the continued support from the 1% Sales Tax Revenues through transfers from the Capital Improvement Fund to the Water Enterprise Fund; the importance of the Water Enterprise Fund becoming self-sufficient; and the importance of building up reserves in the Sewer Enterprise Fund for future debt service requirements.

The Town also entered into a settlement agreement and with Fann Contracting, Inc. on October 7, 2014. This will allow the Town to take over operation of the Waste Water Treatment Plant in August 2015. The Town is also negotiating with the City of Prescott to acquire the City of Prescott customers located within the Town's corporate limits. These actions should improve the financial condition of both enterprise funds.

We did not audit the Town's responses to the findings identified above and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the Town Council, management, and various federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

It has been a pleasure to be of service to the Town this past year. We would like to express special thanks to all those who assisted us so efficiently in this year's audit. We invite you to ask questions of us throughout the year as you feel necessary. We look forward to a continued professional relationship.

Sincerely,



HintonBurdick, PLLC
Flagstaff, Arizona
December 15, 2014

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TOWN OF CHINO VALLEY COUNCIL AGENDA ITEM STAFF REPORT

Town Council Regular Meeting

Item No. 7. c.

Meeting Date: 01/27/2015
Contact Person: Jami Lewis, Town Clerk
Phone: 928-636-2646 x-1208
Department: Council
Estimated length 5 minutes
of Staff Presentation:
Physical location of item: N/A

AGENDA ITEM TITLE:

Discussion regarding state law requirements for removing a Council-appointed Commissioner, Committee or Board Member. (Mayor Marley)

SITUATION & ANALYSIS:

This topic was raised during the January 13 agenda item pertaining to Planning and Zoning Commissioner appointments, but was not concluded. Mayor Marley has asked the Town Attorney to present state law requirements for removing a Council-appointed Commissioner, Committee or Board Member.

Attachments

January 13, 2015 Council meeting transcript

Town of Chino Valley

Town Council Regular Meeting on January 13, 2015

Transcript of: 1:01:13 to 1:08:57 (TRANSCRIBED FROM AUDIO/VIDEO OF MEETING FROM TOWN WEBSITE and YouTube)("uhs" have not been transcribed)

Mayor: Item D: Review and discussion regarding the Council Appointments Subcommittee's recommendations pertaining to the Position Description and selection process for the position of Planning and Zoning Commissioner, as well as proposed amendments to the Unified Development Ordinance (UDO) Section 1.4 Planning and Zoning Commission; and possible action to direct staff to revise the procedural documents and draft an ordinance amending the Unified Development Ordinance Section 1.4. Appointments Subcommittee. I believe the Vice Mayor is the Chairman of that Committee.

Vice Mayor Croft: I am the Chairman of that Committee and we were tasked by the Council to go take a look at the appointments that we make and devise some way to make them a little more realistic. To perhaps better identify those folks that that we'd like to appoint to the Planning and Zoning Commission and identify some kind of training in the process. And that is what we have done and that is what is presented in this item.

Mayor Marley: Just a brief comment on my part before we take it to the rest of the Council. I like it that you added in on Page 47 of 55, Item 8, "Agree to abide by the Town's Code of Ethics, Town Code Chapter 35 and all other rules and regulations of the Town". That encourages folks and then they understand how we are to do business. Any other, any questions from the Council? Yes ma'am.

Councilmember Hatch: I think they did an excellent job but I think we need to leave ourselves a little space. For instance, the required training, if there is a Citizen's Academy, maybe we should leave ourselves an out in case there isn't one within that twelve month period.

Vice Mayor Croft: Yeah. I think that could be held handled in the recommendations of the Council.

CM Hatch: Yeah. Just say something like if there is one within that time period or something like that. That is – that would be my concern that we backed ourselves into a corner, in case they...

VM Croft: If available or if scheduled?

CM Hatch: If one is scheduled.

VM Croft: If one is scheduled. Sure. I don't have a problem with that.

CM Hatch: And I guess the other thing is attend the meetings. Did we ever in the past have a percentage of the meetings or I know the State law requires a hearing before you put them off, but I wonder attending meetings is a very open-ended thing I...

VM Croft: I think it is specified in the Ordinance.

CM Hatch: Is it?

Mayor: Believe it is. I thought it was on page 49 of 55.

VM Croft: Yeah. It is somewhere in the Ordinance that says how many they can be discharged for . . . oh. On page 52. Hold on. Maybe it's not. . . . Ruth?

Ruth Mayday: Yup.

Mayor Marley: Ruth Mayday do you have a packet with the . . .

Attorney Smiley: Mayor?

Mayor Marley: The Board of . . . There was a requirement of attending a certain number of meetings.

CM Hatch: I must have missed it but if it is there, please point it out.

VM Croft: Maybe I missed it too.

Attorney Smiley: Mayor, Mayor over here.

Mayor Marley: Yes.

Attorney Smiley: In the, let's see – it is on page 50 of 55.

VM Croft: There you go.

Attorney Smiley: . . . about half way down the page or beginning on the second paragraph. Termination: vacancy is a requirement for a regular member of the Commission

CM Hatch: I see it there. Yes. B.

Attorney Smiley: . . . who is absent at three consecutive meetings or a total of four meetings within any one year period. Their seat is deemed vacant. This is similar to any number of cities throughout the State and I have to correct something that Council Member Hatch said. There is no State law requirement for a hearing before . . .

CM Hatch: You have to . . .

Attorney Smiley: . . . before a Commissioner is approved is removed. You do not have to have a . . .

CM Hatch: Don't you have to give them Notice and an opportunity to be heard before you take them off?

Attorney Smiley: No. You do not. You do not. There is no property right to an appointed office where the person is appointed and serves at the pleasure of the Council.

Mayor Marley: Thank you.

CM Hatch: Ok, I would like to go over the Code with that with you with that because it has been pointed out to me that there may be - but we should talk about it then.

Mayor Marley: You two can pursue that.

CM Hatch: Yes we will.

Mayor Marley: All right. All right. Thank you. Thank you for the correction on that and for helping us find that. I was only 3 pages off. We'd have gotten there. Other questions or comments regarding this item? All right. The Chair would now entertain a motion.

CM Hatch: Wait. Are we going to add that change in there – if available?

VM Croft: Yes.

Mayor Marley: He has already added that.

VM Croft: Yes. "If available".

VM Croft: I make a motion to approve the Position Description and Selection Process and Proposed UDO Amendments and Direct staff and/or subcommittee to use that plus with the addendum "if scheduled" and a review of the UDO to answer the questions from the Council as far as . . . your question?

Mayor Marley: For review of the UDO?

VM Croft: Review of the UDO with the Attorney.

Mayor Marley: Oh. OK. Well, lets...

CM Hatch: Review of State law. We'll do it. You don't need to do that.

VM Croft: Ok. We'll . . .

CM Hatch: If there's a problem we will bring it up to you.

VM Croft: Ok we'll just do as written?

Mayor Marley: As amended.

VM Croft: As amended "if scheduled"?

CM Hatch: Yeah. Amended "if scheduled." Yeah. You don't need to worry about that. We'll deal with it.

VM Croft: I didn't want to leave you out.

CM Best: Second.

CM Hatch: No. That's good.

Mayor Marley: We have a lengthy motion and two seconds.

VM Croft: Yeah. A lengthy motion and a confusing motion.

Mayor Marley: But that amendment was on page 47 of 55 - required training item 1 was modified. Yes ma'am?

Attorney Smiley: Just to clarify, this motion was not to approve the amendments to the UDO, correct?

VM Croft: Yes. that was included.

CM Best: Yes it was.

Attorney Smiley: I don't think that there has been a public hearing on the Ordinance yet. So I think that is a premature motion.

VM Croft: Let me revise my motion.

Ruth Mayday: No, no, no, this is not for adoption. This is discussion.

Mayor Marley: Ok. For discussion.

VM Croft: So can we go ahead and approve the other process? A portion of it, other than the UDO?

Attorney Smiley: Mmhmmm.

CM Hatch: There is nothing to approve.

Attorney Smiley: There is no action. No, the agenda is review and discussion regarding.

Ruth Mayday: So you can direct staff and can make the changes that have been suggested and then bring the language back.

VM Croft: Mayor?

Mayor Marley: We can do that, we can direct staff, please make the changes. All right?

END OF TRANSCRIPTION



TOWN OF CHINO VALLEY COUNCIL AGENDA ITEM STAFF REPORT

Town Council Regular Meeting

Item No. **8. a.**

Meeting Date: 01/27/2015
Contact Person: Jami Lewis, Town Clerk
Phone: 928-636-2646 x-1208
Department: Council
Estimated length None
of Staff Presentation:
Physical location of item: N/A

AGENDA ITEM TITLE:

An executive session pursuant to A.R.S. § 38-431.03(A)(3) for discussion or consultation for legal advice with the Town Attorney regarding state law requirements for removing a Council-appointed Commissioner, Committee or Board Member. (Councilmembers Hatch, McKee, Wojcik)

Attachments

No file(s) attached.

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TOWN OF CHINO VALLEY COUNCIL AGENDA ITEM STAFF REPORT

Town Council Regular Meeting

Item No. **8. b.**

Meeting Date: 01/27/2015
Contact Person: Jami Lewis, Town Clerk
Phone: 928-636-2646 x-1208
Department: Council
Estimated length None
of Staff Presentation:
Physical location of item: N/A

AGENDA ITEM TITLE:

An executive session pursuant to A.R.S. § 38-431.03(A)(3) for discussion or consultation for legal advice with the Town Attorney regarding legal issues and potential liabilities raised by the Town's use of social media. (Councilmembers Hatch, McKee, and Wojcik)

SITUATION & ANALYSIS:

N/A

Attachments

No file(s) attached.

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TOWN OF CHINO VALLEY COUNCIL AGENDA ITEM STAFF REPORT

Town Council Regular Meeting

Item No. **9. a.**

Meeting Date: 01/27/2015
Contact Person: Jami Lewis, Town Clerk
Phone: 928-636-2646 x-1208
Department: Council
Estimated length of Staff Presentation: None
Physical location of item: N/A

AGENDA ITEM TITLE:

Consideration and possible action with regard to the Town's use of social media. (Councilmembers Hatch, McKee, and Wojcik)

SITUATION & ANALYSIS:

N/A

Attachments

No file(s) attached.
