



TOWN OF ORO VALLEY, ARIZONA
**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

FOR THE FISCAL YEAR ENDED
JUNE 30, 2013



**TOWN OF ORO VALLEY, ARIZONA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Prepared by:

Finance Department

Stacey Lemos, CPA
Finance Director

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INTRODUCTORY SECTION

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Town of Oro Valley

October 23, 2013

Honorable Mayor, Members of Town Council and
Citizens of the Town of Oro Valley, Arizona:

State law mandates that cities publish a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America and audited in accordance with auditing standards generally accepted in the United States of America by a certified public accounting firm licensed in the State of Arizona. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the Town of Oro Valley, Arizona (Town) for the fiscal year ended June 30, 2013.

This report consists of management's representations concerning the finances of the Town. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of 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 Town's financial statements in conformity with accounting principles generally accepted in the United States of America. 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 of material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The Town's financial statements have been audited by Heinfeld, Meech & Co., P.C., a certified public accounting firm. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town for the fiscal year ended June 30, 2013, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the Town's financial statements for the fiscal year ended June 30, 2013, are fairly presented in conformity with accounting principles generally accepted in the United States of America. The independent auditor's report is presented as the first component of the financial section of this report.

Accounting principles generally accepted in the United States of America require 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 of Oro Valley's MD&A can be found immediately following the report of the independent auditors.

Caring for our heritage, our community, our future.

www.orovalleyaz.gov

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PROFILE OF THE TOWN

The Town of Oro Valley was incorporated in 1974. It is located in northeastern Pima County, six miles north of Tucson. The Town currently occupies a land area of 34.95 square miles and serves an estimated population of 43,070. The population of Oro Valley has increased 45% since the 2000 population of 29,700.

Based on the 2010 Census data, Oro Valley has a median household income of \$71,628, compared to the median household income for the state of Arizona of \$50,296. Oro Valley residents enjoy a comfortable hometown feel with a strong family orientation, excellent education system and abundant opportunities in a safe environment.

The Town of Oro Valley operates under the Council-Manager form of government. Policymaking and legislative authority is vested in the Town Council, which consists of a Mayor and six Council Members. Council Members are elected to four-year staggered terms. The citizens of Oro Valley elect the Mayor. The Council, from among its members, selects the Vice-Mayor. The Town Council is responsible, among other things, for the adoption of local ordinances, budget adoption, the development of citizen advisory committees, the hiring and removal of the Town Manager, the Police Chief, Town Attorney and Town Magistrate. The Town Manager is responsible for implementation of the policies of the Town Council. The Town Manager appoints all other department heads except those mentioned above under Town Council responsibilities.

The Town of Oro Valley provides a full range of services including police protection; the construction and maintenance of streets and related infrastructure; the provision of water and stormwater services; public transportation services; recreational activities and cultural events. In addition to general government activities, the governing body is financially accountable for the Municipal Property Corporation; therefore, this activity is included in the reporting entity. Additional information in regards to the Municipal Property Corporation can be found in Note 1 in the notes to the basic financial statements.

As with all cities in the State of Arizona, the Town of Oro Valley is required to comply with Article IX, Section 20 (1) of the Arizona Constitution, which sets limits on the Town's legal budget capacity. The Town currently operates under the Alternative Expenditure Limitation – Home Rule Option. This option allows the Town Council to establish the budgetary limits locally, rather than being restricted by the State-imposed expenditure limitation. The voters must authorize this option every four years. It was last authorized by the citizens of Oro Valley in March of 2010.

The annual operating budget serves as the foundation for the Town's financial planning and control. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual operating budget approved by the Town Council. The Town's proposed operating budget is presented to the Town Council for review throughout the budget cycle starting in January and approved in May. The Town Council is required to hold a public hearing on the proposed budget and to adopt the final budget by no later than the second Monday in August. Budget amendments requiring the approval of the Town Council include the following: budget transfers between funds; transfers to fund additional personnel or increased expenditures as a result of personnel reclassifications; transfers that would reduce or eliminate funding for items designated in the adopted Capital Improvement Plan; and transfers that would reduce or eliminate funding for debt service. All other operational budget amendments that involve transfers between line items or expenditure categories require approval by the Town Manager.

MAJOR INITIATIVES AND ACCOMPLISHMENTS FOR THE YEAR

Oro Valley's Strategic Plan was revised during FY 2012/13 and is grounded in the vision expressed in the Council-adopted and voter-ratified Oro Valley General Plan. While the Strategic Plan guides short-term decision-making, the General Plan provides a long-term (up to 20 years) direction regarding the growth, development and redevelopment of the community. Oro Valley is a community defined by the highest standard of environmental integrity, education, infrastructure, services and public safety. It is a community of people working together to create the Town's future with a government that is responsive to residents and ensures the long-term financial stability of the Town. The four main focus areas in the Strategic Plan are listed below. Also shown below are the Town's accomplishments in these areas during FY 2012/13.

- **Fiscal Responsibility**

The Town Council and management are focused on efforts to maintain long-term financial health through diversified revenue sources while investing in community initiatives.

- Achieved financial sustainability by reducing recurring expenditures through vacancy savings (approximately \$1.8 million)
- Successfully transitioned Library Services to Pima County Library District
- Continued successful partnership with the Regional Transportation Authority (RTA) for expanded public transit services
- Successfully annexed 107 acres known as the Oracle/Ina area
- Surplus auction program generated over \$175,000 in revenue
- Completed the issuance of Town of Oro Valley Excise Tax Refunding Obligations, Series 2013, resulting in net present value savings of nearly \$460,000
- Expanded capital improvement program (CIP) from a 5-year program to a 15-year program
- Successfully transitioned to a self-funded model for medical insurance coverage for FY 2012/13 resulting in estimated annual savings of over \$300,000
- Issued more than 200 single family residential building permits in FY 2012/13, a 275% increase over FY 2011/12
- Developed a program using the Arizona Department of Corrections (ADC) crew to assist with town-wide right-of-way vegetation maintenance and minor repairs on Town equipment and fleet
- Commenced new "hybrid" legal management system with use of outside counsel
- Obtained Nutro Company grant for dog park improvements at James D. Kriegh Park

- **Communication**

The Town will ensure residents are educated about and engaged in moving community initiatives forward.

- Completed upgrade to Granicus system, which provides the public with meeting information and video and audio recordings of Council and Board meetings
- Adopted new two-year Oro Valley Strategic Plan
- Completed Public Participation Plan for the General Plan Update
- Completed spring and fall community academies providing training to Boards, Commissions and town residents
- Received first ever Popular Annual Financial Reporting (PAFR) Award from the Government Finance Officers Association
- Initiated new customer service training module for Town employees
- Expanded capabilities of the Constant Contact email subscription service for constituents

- Implemented online Court Calendar thus improving communication with constituents
- Developed and unveiled a new Town brand of “It’s in our nature”
- Launched a new Town website and improved online Business Navigator

- **Economic Development**

The Town Council and management are focused on attracting and retaining globally-competitive high technology and bioscience employers. Additionally, the Town is focused on developing recreation and cultural opportunities to promote tourism and support employee attraction and retention.

- Expanded partnerships with Visit Tucson (formerly Metropolitan Tucson Convention and Visitors Bureau) and the Greater Oro Valley Chamber of Commerce
- Approved the Economic Expansion Zone (EEZ) for Innovation Park
- Completed draft Development Capability Report addressing Town future development capacity
- Successfully retained Securaplane, a leading supplier of avionics products for business, commercial and military aircraft, who is expanding into a 55,000 sq ft building along Innovation Park
- Hosted numerous regional and state championship swim meets at new Oro Valley Aquatic Center
- Oro Valley named Playful City Community USA 2013 for third consecutive year
- Oro Valley named “2013 Best Place to Raise Kids in Arizona” by Bloomberg Businessweek
- Launched virtual art gallery and public art tours
- Completed design on the Canada del Oro Shared Use Path project, a key element to supporting our bicycle-friendly community

- **Community Services**

The Town Council and management are focused on providing services to enhance residents’ quality of life.

- Implemented new business licensing application, which will increase efficiency, reduce costs and provide greater and more reliable economic data
- Approved \$2.1 million from General Fund contingency reserves to bury utility lines for preservation of natural beauty and scenic corridors
- Approved development of an archery range and two archery walking courses at Naranja Park
- Created Town’s first Oro Valley Youth Advisory Council
- Sun Shuttle Dial-a-Ride service celebrated its first year of service with ridership exceeding 30,000 passenger trips
- Completed construction of the Lambert Lane Widening Project
- Increased employee participation in the Town’s Wellness Initiative
- Completed \$5 million renovation and expansion of the Oro Valley Aquatic Center at James D. Kriegh Park
- Continued partnership with the Southern Arizona Arts & Cultural Alliance (SAACA) to provide the 2nd Thursday Concert Series at Oro Valley Marketplace
- Completed improvements at Steam Pump Ranch historic property, including new restroom, new north main gate entrance and roof repair on Leiber House
- Installed new shade structure over playgrounds at James D. Kriegh Park
- Dispose-A-Med program awarded Common Ground Celebration Award by Metropolitan Pima Alliance
- Membership in Adopt-A-Business Program includes 155 active businesses

- Citizen Volunteer Assistants Program (CVAP) members contributed 14,455 volunteer hours valued in excess of \$320,000
- Oro Valley Water Utility replaced 2,498 water meters under the Meter Replacement Program and Advanced Metering Infrastructure Project
- Oro Valley Water Utility performed 144 residential water use audits, reducing water usage and costs for customers
- Oro Valley Water Utility completed the Tangerine Hills valve and hydrant replacement project

ECONOMIC CONDITIONS AND OUTLOOK

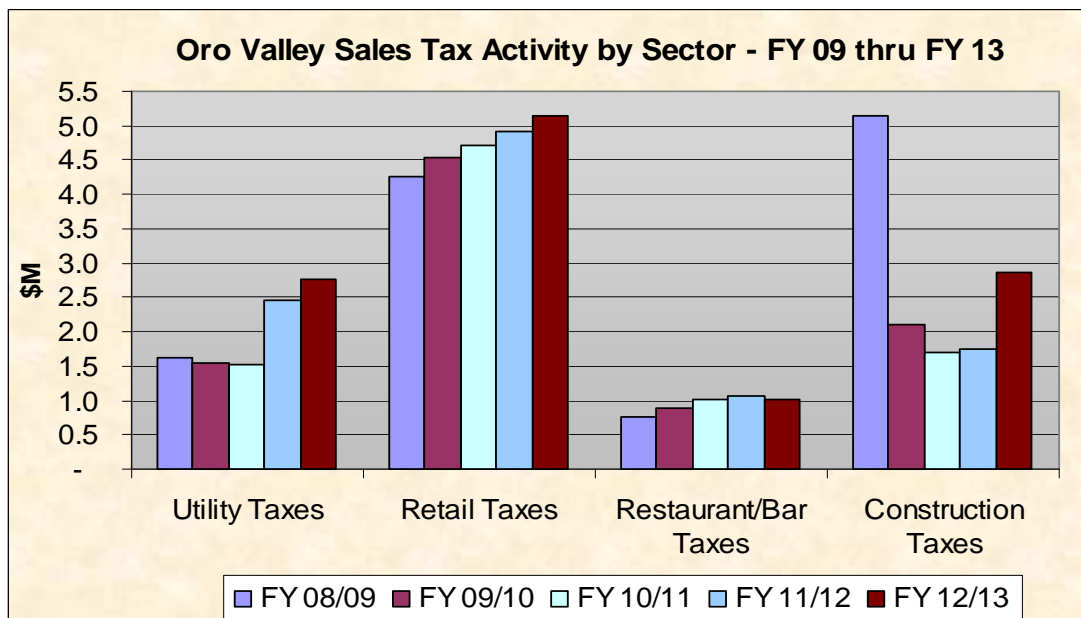
The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the Town operates.

Fiscal year 2012/13 in Oro Valley saw continued economic progress and recovery with year-over-year increases in most of the Town’s revenue categories. The Town continues to provide services and programs without a property tax to fund operations and, therefore, is dependent upon state shared revenues and local sales tax as major sources of operating revenue. These sources accounted for approximately 80% of total General Fund revenue for FY 2012/13.

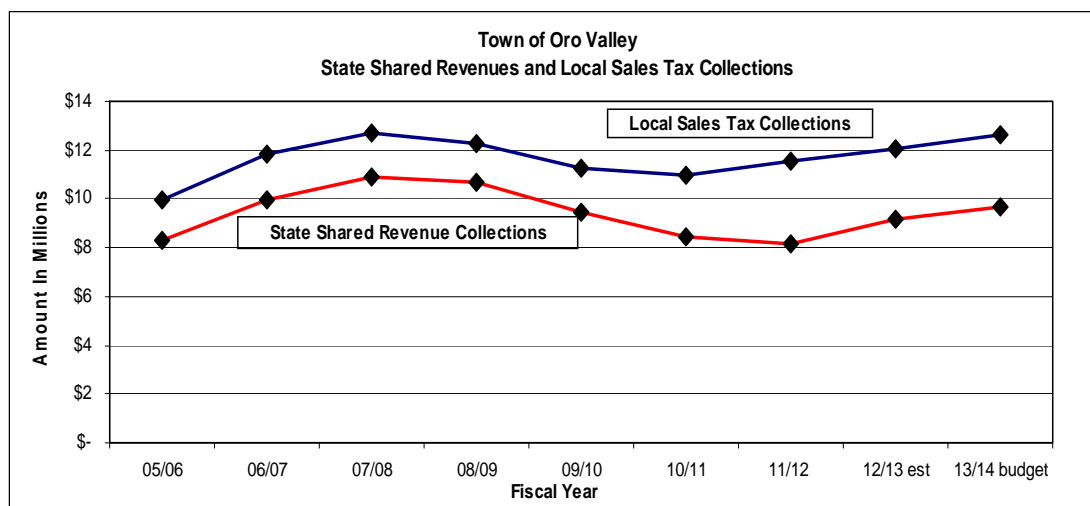
Most of the major local sales tax categories experienced year-over-year increases compared to amounts collected in FY 2011/12 as discussed below:

- Retail tax collections totaled \$5.2 million for FY 12/13, up 4.6%, or \$228,000 over last fiscal year.
- Restaurant and bar tax collections totaled just over \$1.0 million for the fiscal year, flat to last year’s collections.
- Construction sales tax collections totaled \$2.9 million for the fiscal year, up 58%, or \$1.1 million over last fiscal year.
- Utility tax collections totaled \$2.8 million for the fiscal year, up 17%, or \$409,000 over last fiscal year.

The chart below is a look at the past five years’ local sales tax activity by category:



In FY 2012/13, the Town received \$9.0 million for state shared revenues in the General Fund, up 11%, or \$903,000 over last fiscal year. The trend chart below depicts the expected upward movement of both of these revenue categories for next fiscal year:



Other actions have been taken by the Town Council and management over the past several years to significantly reduce the Town’s recurring expenditures in order to achieve a structurally balanced budget. Expenditures have been reduced due to the following:

- Transfer of Library Services operations to the Pima County Library District, saving the Town approximately \$600,000 annually
- Approximately \$1.8 million in vacancy savings realized over the last two fiscal years
- Refinanced excise tax refunding obligations to achieve net present value savings of approximately \$460,000
- Transitioned to self-funded model for employee medical insurance coverage, eliminating profit paid to medical provider and implemented enhanced wellness program
- Expanded volunteer program throughout Town of Oro Valley
- Partnered with Tucson Water for delivery of our Central Arizona Project (CAP) water through their system
- Continued to partner with the Regional Transportation Authority (RTA) to provide expanded dial-a-ride transit services to the community at a lower subsidy cost to the Town

Future Focus

By achieving the significant savings outlined above, along with a more positive revenue picture projected for FY 2013/14, the Town will focus its efforts on investing in the very elements of our operation that provide the highest return on investment for the future – our employees, our infrastructure and assets, economic development opportunities and quality-of-life programs and services for the community.

These strategies will be fulfilled a number of different ways as highlighted below:

- Employee performance merit and step increases have been budgeted for FY 2013/14, along with funding for employee reclassifications and funding for a salary market study.
- FY 2013/14 will be the second year in the Town's effort to return to a regular fleet replacement schedule. Not only does the budget include funding to replace several aged vehicles in the fleet, it also includes \$108,000 set aside as a reserve for future replacement of the new vehicles purchased during FY 2012/13. Also included is funding for the appropriate replacement of computers and other technology that is critical to maintaining smooth administrative functions.
- The FY 2013/14 budget includes funding for the Oro Valley Water Utility to continue progress on the installation of Automated Metering Infrastructure (AMI) communications equipment and the replacement of approximately 3,700 aging meters with new electronic meters.
- Funding has also been included in the FY 2013/14 budget to address the growing need for an expanded property and evidence storage facility for the Police Department to remediate a lack of proper storage space and provide a safer working environment for staff assigned to this area.
- Addressing the Town's growing technology needs will be a focus in the FY 2013/14 budget with funding dedicated to replacing the Town's permitting system, telephone system and updating of the Microsoft Office Suite to a consistent version town-wide.
- The FY 2013/14 has dedicated funding for the first full year of operations at the expanded Oro Valley Aquatic Center. The Town will continue to aggressively recruit large-scale events, which will generate increased tourism and economic activity in our community.

Additionally, annexation and the expansion of arts and culture will continue to be top priorities in the future. Extensive annexation outreach has been conducted and will increase in the coming year as more resources are allocated to this area.

The Town also continues to maintain strong investment grade ratings on its outstanding excise tax bonds, rated "AA-" by both Standard and Poor's and Fitch Ratings. This is largely achieved by the Council's goal of continuing to diversify the Town's revenue base and maintaining strong fund balance reserves in the General Fund, currently at \$13.1 million, or 46% of FY 2013/14 adopted expenditures of \$28.5 million. This is well above the Council-adopted policy threshold of 25% of adopted expenditures.

AWARDS AND ACKNOWLEDGMENTS

Award. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Oro Valley for its comprehensive annual financial report for the year ended June 30, 2012. This was the nineteenth consecutive year that the Town has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.


A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments. The preparation of this Comprehensive Annual Financial Report could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance Department who assisted and contributed in its preparation. We thank the Mayor and members of the Town Council for their interest and support in planning and conducting the financial affairs of the Town in a responsible and progressive manner.

Respectfully submitted,



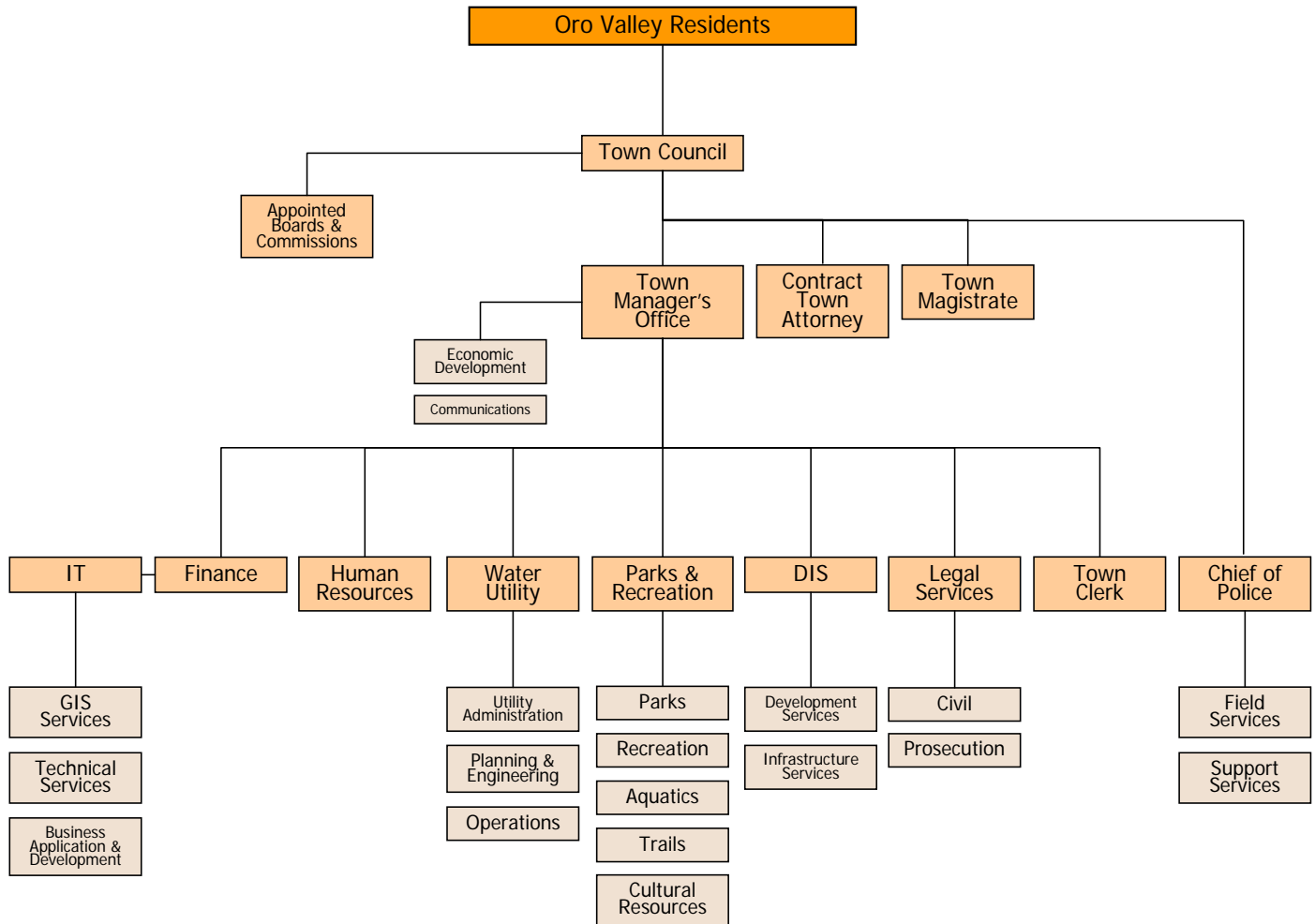
Greg Caton, ICMA-CM
Town Manager



Stacey Lemos, CPA
Finance Director



Organizational Chart



**TOWN OF ORO VALLEY, ARIZONA
LIST OF TOWN OFFICIALS**

ELECTED OFFICIALS

Mayor	Dr. Satish Hiremath
Vice-Mayor	Mr. Lou Waters
Council Member	Mr. Brendan Burns
Council Member	Mr. William Garner
Council Member	Mr. Joe Hornat
Council Member	Ms. Mary Snider
Council Member	Mr. Mike Zinkin

DEPARTMENT HEADS

Town Manager	Greg Caton
Finance Director	Stacey Lemos, CPA
Human Resources Director	Ron Corbin
Town Clerk	Julie Bower
Magistrate	George Dunscomb
Legal Services Director	Tobin Sidles
Water Utility Director	Philip Saletta
Chief of Police	Daniel G. Sharp
Development & Infrastructure Services Director/Town Engineer	Paul Keesler
Parks and Recreation Director	Kristy Diaz-Trahan
Information Technology Director	Chuck Boyer



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Town of Oro Valley
Arizona**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the Town Council
Town of Oro Valley, Arizona

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Town of Oro Valley, Arizona (Town), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town'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 Town'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, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Oro Valley, Arizona, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1, the Town implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, for the year ended June 30, 2013, which represents a change in accounting principle. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 14 and budgetary comparison information on pages 64 through 66 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's basic financial statements. The introductory section, combining and individual fund financial statements and 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 fund financial statements and 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 fund financial statements and schedules information is fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2013, on our consideration of Town of Oro Valley, Arizona'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 the 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 Town of Oro Valley, Arizona's internal control over financial reporting and compliance.

Heinfeld, Meech & Co., P.C.

HEINFELD, MEECH & CO., P.C.
CPAs and Business Consultants

October 23, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
(Required Supplementary Information)

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**TOWN OF ORO VALLEY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2013**

As management of the Town of Oro Valley, Arizona (Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

FINANCIAL HIGHLIGHTS

The financial statements which follow the Management's Discussion and Analysis provide those significant key financial highlights for 2012-13 as follows.

- The Town's total net position of governmental activities decreased \$456,330 to \$157.1 million and business-type activities increased \$3.6 million to \$68.3 million representing 70 percent and 30 percent respectively, of the total net position of \$222.5 million.
- General revenues from governmental activities accounted for \$24.1 million in revenue, or 65 percent of all revenues from governmental activities. Program specific revenues in the form of charges for services and grants and contributions accounted for \$13.2 million or 35 percent of total governmental activities revenues. The Town had \$17.6 million of program revenues and \$5,471 in general revenues related to business-type activities.
- The Town had \$35.2 million in expenses related to governmental activities, a decrease of less than one percent from the prior fiscal year. The Town had \$14.0 million in expenses related to business-type activities, an increase of 11 percent from the prior fiscal year.
- Among major funds, the General Fund had \$28.1 million in revenues, which primarily consisted of sales taxes and intergovernmental revenues. The total expenditures of the General Fund were \$25.2 million. The General Fund's fund balance increased from \$11.4 million to \$13.1 million.
- The Highway User Revenue Fund had \$3.9 million in revenues, which primarily consisted of intergovernmental revenues. The total expenditures of the Highway User Revenue Fund were \$3.4 million.
- The Townwide Roadway Development Impact Fee Fund had \$3.5 million in revenues, which primarily consisted of intergovernmental revenues. The total expenditures of the Townwide Roadway Development Impact Fee Fund were \$4.3 million.
- The Aquatic Center Project Fund's fund balance decreased from \$3.1 million to \$66,638 due to the construction of the expanded Aquatic Center at James D. Kriegh Park.
- The Water Fund operating revenues of \$14.8 million exceeded operating expenses of \$11.1 million. The increase in net position of \$3.7 million was primarily due to revenues from charges for services exceeding operating expenses.

**TOWN OF ORO VALLEY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2013**

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to 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's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the Town's assets liabilities, and deferred inflows/outflows of resources with the difference between the two 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 is improving or deteriorating.

The statement of activities presents information showing how the Town'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 in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

In the government-wide financial statements the Town's activities are presented in the following categories:

- **Governmental activities** – Most of the Town's basic services are included here, such as general government, public safety, highways and streets, and culture and recreation. Sales taxes, intergovernmental, and charges for services finance most of these activities.
- **Business-type activities** – The services provided by the Town included here are water and stormwater utilities. The services are primarily financed through user fees and charges.

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 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

**TOWN OF ORO VALLEY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2013**

OVERVIEW OF FINANCIAL STATEMENTS (Concl'd)

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 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 evaluating the Town'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 Town's near-term financing decision. 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.

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, Highway User Revenue (HURF), Oracle Road Debt Service, Townwide Roadway Development Impact Fees, and Aquatic Center Project Funds, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements and schedules.

Proprietary funds. The Town of Oro Valley maintains two 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 Oro Valley uses enterprise funds to account for its Oro Valley Water Utility and Stormwater Drainage Utility. The Town uses internal service funds to account for its fleet maintenance services and to finance its self-insured employee health benefits. Because these services predominately benefit governmental rather than business-type functions, the internal service funds have been included within governmental activities in the government-wide financial statements.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town's budget process. The Town adopts an annual expenditure budget for all governmental funds. A schedule of revenues, expenditures and changes in fund balances – budget and actual has been provided for the General Fund and major Special Revenue Fund as required supplementary information.

**TOWN OF ORO VALLEY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2013**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$225.4 million as of the current fiscal year end.

The largest portion of the Town's net position reflects its investment in capital assets (e.g., land, buildings and improvements, improvements other than buildings, infrastructure, vehicles, machinery and equipment and construction in progress), less any related outstanding debt used to acquire those assets. The Town uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following table presents a summary of the Town's net position for the fiscal years ended June 30, 2013 and June 30, 2012.

	2013 Governmental Activities	2012 Governmental Activities	2013 Business-type Activities	2012 Business-type Activities	2013 Total	2012 Total
Current and other assets	\$ 27,802,041	\$ 29,405,939	\$ 22,603,794	\$ 22,316,206	\$ 50,405,835	\$ 51,722,145
Capital assets, net	146,102,837	144,898,110	97,911,736	97,550,941	244,014,573	242,449,051
Total assets, net	<u>173,904,878</u>	<u>174,304,049</u>	<u>120,515,530</u>	<u>119,867,147</u>	<u>294,420,408</u>	<u>294,171,196</u>
Current and other liabilities	3,438,012	2,882,086	2,842,130	3,006,139	6,280,142	5,888,225
Long-term liabilities	13,323,348	13,822,115	49,369,457	52,123,740	62,692,805	65,945,855
Total liabilities	<u>16,761,360</u>	<u>16,704,201</u>	<u>52,211,587</u>	<u>55,129,879</u>	<u>68,972,947</u>	<u>71,834,080</u>
Net investment in capital assets	134,512,094	135,336,862	48,802,267	45,669,488	183,314,361	181,006,350
Restricted	3,730,312	11,454,390			3,730,312	11,454,390
Unrestricted	18,901,112	10,808,596	19,501,676	19,067,780	38,402,788	29,876,376
Total net position	<u>\$157,143,518</u>	<u>\$ 157,599,848</u>	<u>\$ 68,303,943</u>	<u>\$ 64,737,268</u>	<u>\$225,447,461</u>	<u>\$222,337,116</u>

**TOWN OF ORO VALLEY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2013**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd)

The Town's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets. The following are significant current year transactions that have had an impact on the Statement of Net position.

- The addition of \$6.9 million in business-type activities capital assets through improvements to the existing water system.
- The addition of \$11.7 million in governmental activities capital assets, mostly consisting of street improvements and construction of the aquatic center.
- The decrease of \$2.8 million in business-type activities long-term debt was due mainly to the issuance of \$6.4 million in revenue refunding bonds to refund \$6.3 million of the 2003 Revenue Refunding Bonds; and annual debt service payments of \$2.9 million.
- The conveyance of the Oro Valley Branch Library to Pima County, which resulted in a net loss of \$2.6 million

Changes in net position. The Town's total revenues for the current fiscal year were \$54.9 million. The total cost of all programs and services was \$49.2 million. The following table presents a summary of the changes in net position for the fiscal years ended June 30, 2013 and June 30, 2012.

	2013 Governmental Activities	2012 Governmental Activities	2013 Business-type Activities	2012 Business-type Activities	2013 Total	2012 Total
Revenues:						
Program revenues:						
Charges for services	\$ 5,007,938	\$ 3,524,887	\$ 17,546,000	\$ 16,569,557	\$ 22,553,938	\$ 20,094,444
Operating grants and contributions	5,318,097	5,247,844			5,318,097	5,247,844
Capital grants and contributions	2,920,335	7,107,063	48,871	245,607	2,969,206	7,352,670
General revenues:						
Sales taxes	14,241,065	12,799,678			14,241,065	12,799,678
Franchise taxes	539,477	525,427			539,477	525,427
Unrestricted state shared revenues	9,048,365	8,145,065			9,048,365	8,145,065
Investment earnings	265,787	189,606	5,471	167,106	271,258	356,712
Total revenues	<u>37,341,064</u>	<u>37,539,570</u>	<u>17,600,342</u>	<u>16,982,270</u>	<u>54,941,406</u>	<u>54,521,840</u>
Expenses:						
General government	9,861,131	9,961,376			9,861,131	9,961,376
Public safety	12,770,224	12,349,948			12,770,224	12,349,948
Highways and streets	9,255,004	9,339,062			9,255,004	9,339,062
Culture and recreation	2,783,633	3,227,895			2,783,633	3,227,895
Interest on long-term debt	522,917	654,262			522,917	654,262
Water			13,047,373	11,984,829	13,047,373	11,984,829
Stormwater drainage			983,975	636,966	983,975	636,966
Total expenses	<u>35,192,909</u>	<u>35,532,543</u>	<u>14,031,348</u>	<u>12,621,795</u>	<u>49,224,257</u>	<u>48,154,338</u>
Transfers	2,319		(2,319)			
Special item	(2,606,804)				(2,606,804)	
Change in net position	(456,330)	2,007,027	3,566,675	4,360,475	3,110,345	6,367,502
Net position, beginning	157,599,848	155,592,821	64,737,268	60,376,793	222,337,116	215,969,614
Net position, ending	<u>\$ 157,143,518</u>	<u>\$ 157,599,848</u>	<u>\$ 68,303,943</u>	<u>\$ 64,737,268</u>	<u>\$225,447,461</u>	<u>\$222,337,116</u>

**TOWN OF ORO VALLEY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2013**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Concl'd)

Total revenues increased \$419,566, or less than one percent. The increase of \$1.4 million in sales tax was largely due to increases in collections from construction, \$1.1 million, and utility taxes, \$394,000. Capital grants and contributions decreased by \$4.4 million due to discontinued funding for loan payments on the ADOT loan which was extinguished in the prior fiscal year. Governmental activities charges for services increased by \$1.5 million due to increases in construction related revenues such as residential and commercial building permits, \$600,000 and development impact fees, \$571,000. The Water Utility fund had an increase of \$1.0 million in charges for services primarily due to development impact fee collections.

Governmental and Business-type activities. The following table presents the cost of the Town's major functional activities. The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the State and Town's taxpayers by each of these functions.

	2013		2012	
	Total Expenses	Net (Expense)/ Revenue	Total Expenses	Net (Expense)/ Revenue
Governmental Activities				
General government	\$ 9,861,131	\$ (5,938,649)	\$ 9,961,376	\$ (6,560,335)
Public safety	12,770,224	(11,749,770)	12,349,948	(11,126,636)
Highways and streets	9,255,004	(1,552,733)	9,339,062	1,228,958
Culture and recreation	2,783,633	(2,182,470)	3,227,895	(2,540,474)
Interest on long-term debt	522,917	(522,917)	654,262	(654,262)
Total	<u>\$ 35,192,909</u>	<u>\$ (21,946,539)</u>	<u>\$ 35,532,543</u>	<u>\$ (19,652,749)</u>
Business-type Activities				
Water	\$ 13,047,373	\$ 3,726,231	\$ 11,984,829	\$ 4,037,800
Stormwater drainage	983,975	(162,708)	636,966	155,569
Total	<u>\$ 14,031,348</u>	<u>\$ 3,563,523</u>	<u>\$ 12,621,795</u>	<u>\$ 4,193,369</u>

- The cost of all governmental activities this year was \$35.2 million. The decrease of \$339,634 from the prior year was due primarily to operation and maintenance cost savings.
- The cost of all business-type activities this year was \$14.0 million. The increase of \$1.4 million from the prior year was primarily due to the following: CAP water delivery charges, \$344,000, water purchased for resale, \$408,000 and an overall increase in operational costs in the Water Utility Fund. In addition, the Stormwater Fund had increased administrative service costs.
- Federal and State governments, developer contributions, and charges for services subsidized certain governmental programs and business-type programs with revenues of \$30.8 million.
- Net cost of governmental activities of \$21.9 million was financed by general revenues, which are made up of primarily sales taxes and state shared revenues of \$23.3 million.

**TOWN OF ORO VALLEY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2013**

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

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

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

The financial performance of the Town as a whole is reflected in its governmental funds. As the Town completed the year, its governmental funds reported a combined fund balance of \$21.0 million, a decrease of \$2.4 million. This was primarily due to expended proceeds from the issuance of \$2.6 million in revenue bonds for the Town's aquatic center project.

The General Fund is the principal operating fund of the Town. The fund balance increased by \$1.7 million in the General Fund to \$13.1 million for the current fiscal year due to an increase in local sales tax and license and permit revenues and decreased expenditures related to personnel vacancy savings.

The fund balance of the Highway User Revenue Fund showed an increase of \$500,384 to \$3.5 million for the current fiscal year due to an increase in local sales tax and a decrease in expenditures for street projects.

The Townwide Roadway Development Impact Fees Fund showed a decrease of \$767,559 to \$1.5 million for the current fiscal year due to planned use of fund balance for the Lambert Lane road widening project.

The Aquatic Center Project Fund showed a decrease of \$3.1 million to \$66,638 for the current fiscal year due to utilization of revenue bond proceeds for the Town's aquatic center project.

Proprietary funds. Net position of the Enterprise Funds at the end of the year amounted to \$68.3 million. The increase of \$3.6 million from the prior fiscal year was primarily due to operating income of \$3.7 million from the Water Utility Fund.

**TOWN OF ORO VALLEY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2013**

BUDGETARY HIGHLIGHTS

There were no amendments to the Town of Oro Valley's fiscal year 2012-13 operating and capital budget. A schedule showing the original and final budget amounts compared to the Town's actual financial activity for the General Fund is provided in this report as required supplementary information. The significant variances are summarized as follows:

- The favorable variance of \$885,782 in sales tax revenue was primarily a result of increased sales tax collections from construction.
- The favorable variance of \$2.5 million in general government expenditures was a result of personnel vacancy savings and operational cost savings.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. At year end, the Town had invested \$244.0 million in capital assets (net of accumulated depreciation), including buildings, facilities, vehicles, computers, equipment, and infrastructure assets. This amount represents a net increase of \$1.6 million from last year. This was primarily due to the construction of the Aquatic Center at James D. Kriegh Park and expansion of the Town's water system. Total depreciation expense for the year was \$10.5 million.

The following schedule presents capital asset balances for the fiscal years ended June 30, 2013 and June 30, 2012.

Governmental Activities	As of <u>June 30, 2013</u>	As of <u>June 30, 2012</u>
Land	\$ 18,878,468	\$ 18,878,468
Infrastructure	153,945,765	152,734,484
Buildings and improvements	26,549,988	24,330,218
Machinery, equipment, and vehicles	11,500,475	11,328,666
Construction in progress	9,943,494	6,083,031
Less: Accumulated depreciation	<u>(74,715,353)</u>	<u>(68,456,757)</u>
Total	<u>\$ 146,102,837</u>	<u>\$144,898,110</u>

**TOWN OF ORO VALLEY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2013**

CAPITAL ASSETS AND DEBT ADMINISTRATION (Concl'd)

<u>Business-type Activities</u>	As of June 30, 2013	As of June 30, 2012
Land	\$ 2,410,660	\$ 2,410,660
Water rights	8,534,490	8,534,490
Water system	112,874,420	107,415,415
Stormwater system	2,779,503	2,779,503
Equipment and vehicles	4,387,633	3,894,930
Construction in progress		2,572,273
Less: Accumulated depreciation	(33,074,970)	(30,056,330)
Total	<u>\$ 97,911,736</u>	<u>\$ 97,550,941</u>

Additional information on the Town's capital assets can be found in Note 5.

Debt Administration. At year end, the Town had \$58.5 million in long-term debt outstanding, \$3.4 million due within one year. The following table presents a summary of the Town's outstanding long-term debt for the fiscal years ended June 30, 2013 and June 30, 2012.

	<u>Governmental Activities</u>	
	2013	2012
Revenue bonds	\$ 9,103,050	\$ 9,424,960
Special assessment bonds	2,435,000	2,685,000
Total	<u>\$ 11,538,050</u>	<u>\$ 12,109,960</u>

	<u>Business-type Activities</u>	
	2013	2012
Revenue bonds	\$ 41,386,950	\$ 43,843,790
Loan payable	5,575,041	5,893,122
	<u>\$ 46,961,991</u>	<u>\$ 49,736,912</u>

State statutes currently limit the amount of general obligation debt a Town may issue to 20 percent of its total assessed valuation for water, sewer, lights, open space preserves, parks, playgrounds and recreational facilities. The current debt limitation for the Town is \$118.6 million.

The Town of Oro Valley has a bond rating of "AA-" rating from both Standard & Poor's and Fitch Ratings on its excise tax revenue bonds and an "AA" rating from Standard & Poor's on outstanding water revenue bonds.

Additional information on the Town's long-term debt can be found in Notes 6 through 10.

**TOWN OF ORO VALLEY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2013**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The unemployment rate for the Town of Oro Valley is currently 6.4%. Pima County's and the State of Arizona's unemployment rates are 7.6% and 8.5%, respectively.
- The Town's secondary assessed valuation for the current year is \$592,761,968.
- Single family residential (SFR) building permits issued in this fiscal year totaled 217, as compared to 56 SFR building permits issued last fiscal year. Projections for SFR building permits are 180 for fiscal year 2013-14.

The adopted combined operating and capital expenditure budget for fiscal year 2013-14 totals \$93.9 million, a decrease of 1.6% over last year's budget of \$95.4 million. This decrease is primarily attributed to the completion of the Oro Valley Aquatics Center. The budget for fiscal year 2013-14 continues to place emphasis on the following: investing in our employees and infrastructure assets, streamlining service delivery, increasing operating efficiencies through regional partnerships, and capitalizing on economic development opportunities that provide a significant return on investment for the Town.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the resources it receives. If you have questions about this report or need additional information, contact the Finance Department, Town of Oro Valley, Arizona, 11000 North La Cañada Drive, Oro Valley, Arizona 85737.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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TOWN OF ORO VALLEY, ARIZONA
STATEMENT OF NET POSITION
JUNE 30, 2013

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	\$ 21,131,631	\$ 17,337,908	\$ 38,469,539
Taxes receivable	1,011,408		1,011,408
Accounts receivable	251,387	2,466,621	2,718,008
Intergovernmental receivable	2,577,528		2,577,528
Special assessments	2,435,000		2,435,000
Prepaid items	67,695		67,695
Total current assets	27,474,649	19,804,529	47,279,178
Noncurrent assets:			
Deferred bond charges	327,392	2,799,265	3,126,657
Capital assets, non-depreciable	28,821,962	10,945,150	39,767,112
Capital assets, depreciable (net)	117,280,875	86,966,586	204,247,461
Total noncurrent assets	146,430,229	100,711,001	247,141,230
Total assets	173,904,878	120,515,530	294,420,408
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	1,761,996	500,755	2,262,751
Accrued wages and benefits	858,373	115,383	973,756
Intergovernmental payable	149,282	1,009,041	1,158,323
Interest payable		938,509	938,509
Sales tax payable	289,105		289,105
Unearned revenue	186,728		186,728
Claims payable	87,134		87,134
Customer deposits payable	105,394	278,442	383,836
Compensated absences	1,351,432	171,592	1,523,024
Capital leases payable		91,713	91,713
Loans payable		281,954	281,954
Special assessment bonds	260,000		260,000
Revenue bonds	444,000	2,406,000	2,850,000
Total current liabilities	5,493,444	5,793,389	11,286,833
Noncurrent liabilities:			
Compensated absences	381,173	88,396	469,569
Capital leases payable		93,594	93,594
Loans payable		5,293,087	5,293,087
Special assessment bonds	2,175,000		2,175,000
Revenue bonds	8,711,743	40,943,121	49,654,864
Total noncurrent liabilities	11,267,916	46,418,198	57,686,114
Total liabilities	16,761,360	52,211,587	68,972,947
<u>NET POSITION</u>			
Net investment in capital assets	134,512,094	48,802,267	183,314,361
Restricted for:			
Public safety	1,014,490		1,014,490
Capital outlay	1,940,759		1,940,759
Debt service	775,063		775,063
Unrestricted	18,901,112	19,501,676	38,402,788
Total net position	\$ 157,143,518	\$ 68,303,943	\$ 225,447,461

The notes to the basic financial statements are an integral part of this statement.

**TOWN OF ORO VALLEY, ARIZONA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary Government					
Governmental activities:					
General government	\$ 9,861,131	\$ 3,740,046	\$ 182,436	\$	\$ (5,938,649)
Public safety	12,770,224	45,346	975,108		(11,749,770)
Highway and streets	9,255,004	1,052,581	3,756,584	2,893,106	(1,552,733)
Culture and recreation	2,783,633	169,965	403,969	27,229	(2,182,470)
Interest on long-term debt	522,917				(522,917)
Total governmental activities	<u>35,192,909</u>	<u>5,007,938</u>	<u>5,318,097</u>	<u>2,920,335</u>	<u>(21,946,539)</u>
Business-type activities:					
Water	13,047,373	16,732,600		41,004	
Stormwater drainage	983,975	813,400		7,867	
Total business-type activities	<u>14,031,348</u>	<u>17,546,000</u>	<u></u>	<u>48,871</u>	<u></u>
Total primary government	<u>\$ 49,224,257</u>	<u>\$ 22,553,938</u>	<u>\$ 5,318,097</u>	<u>\$ 2,969,206</u>	<u>(21,946,539)</u>
General revenues:					
Taxes:					
Sales taxes					14,241,065
Franchise taxes					539,477
Unrestricted state shared revenues					9,048,365
Investment earnings					265,787
Transfers					2,319
Special item - Capital asset conveyance					(2,606,804)
Total general revenues, transfers and special items					<u>21,490,209</u>
Changes in net position					(456,330)
Net position, beginning of year					<u>157,599,848</u>
Net position, end of year					<u>\$ 157,143,518</u>

The notes to the basic financial statements are an integral part of this statement.

Net (Expense) Revenue and
Changes in Net Position

Business-type Activities	Totals
\$	\$ (5,938,649)
	(11,749,770)
	(1,552,733)
	(2,182,470)
	(522,917)
	(21,946,539)
	3,726,231
	(162,708)
	3,563,523
	3,563,523
	14,241,065
	539,477
	9,048,365
5,471	271,258
(2,319)	
	(2,606,804)
	21,493,361
	3,566,675
	3,110,345
	64,737,268
	222,337,116
\$	\$ 68,303,943
	225,447,461

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FUND FINANCIAL STATEMENTS

TOWN OF ORO VALLEY, ARIZONA
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2013

	General Fund	HURF	Oracle Road Debt Service
<u>ASSETS</u>			
Cash and cash equivalents	\$ 13,123,264	\$ 3,953,094	\$ 149
Taxes receivable	1,011,408		
Accounts receivable	251,387		
Intergovernmental receivable	479,752	250,427	
Special assessments			2,435,000
Due from other funds	332,635		
Prepaid items	67,695		
Total assets	\$ 15,266,141	\$ 4,203,521	\$ 2,435,149
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 606,554	\$ 619,356	\$
Accrued wages and benefits	791,973	66,400	
Intergovernmental payable	149,282		
Sales tax payable	289,105		
Due to other funds			
Deferred revenue	186,728		2,435,000
Customer deposits payable	105,394		
Total liabilities	2,129,036	685,756	2,435,000
Fund balances:			
Restricted			149
Committed		3,517,765	
Assigned	1,608,035		
Unassigned	11,529,070		
Total fund balances	13,137,105	3,517,765	149
 Total liabilities and fund balances	\$ 15,266,141	\$ 4,203,521	\$ 2,435,149

The notes to the basic financial statements are an integral part of this statement.

Townwide Roadway Development Impact Fees	Aquatic Center Project	Non-Major Governmental Funds	Total Governmental Funds
\$	\$ 405,944	\$ 2,948,100	\$ 20,430,551
			1,011,408
1,847,349			251,387
			2,577,528
			2,435,000
			332,635
			67,695
<u>\$ 1,847,349</u>	<u>\$ 405,944</u>	<u>\$ 2,948,100</u>	<u>\$ 27,106,204</u>
\$ 53,277	\$ 339,306	\$ 96,959	\$ 1,715,452
			858,373
			149,282
			289,105
332,635			332,635
			2,621,728
			105,394
<u>385,912</u>	<u>339,306</u>	<u>96,959</u>	<u>6,071,969</u>
1,461,437	66,638	2,202,088	3,730,312
		649,053	4,166,818
			1,608,035
			11,529,070
<u>1,461,437</u>	<u>66,638</u>	<u>2,851,141</u>	<u>21,034,235</u>
<u>\$ 1,847,349</u>	<u>\$ 405,944</u>	<u>\$ 2,948,100</u>	<u>\$ 27,106,204</u>

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**TOWN OF ORO VALLEY, ARIZONA
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2013**

Total governmental fund balances		\$ 21,034,235
<p>Amounts reported for <i>governmental activities</i> in the Statement of Net Position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.</p>		
Governmental capital assets	\$ 220,818,190	
Less accumulated depreciation	<u>(74,715,353)</u>	146,102,837
<p>Special assessments receivable are not available to pay for current period expenditures and therefore are not reported in the funds.</p>		
		2,435,000
<p>Deferred items related to the issuance of bonds are amortized over the life of the associated issuance in the government-wide statements but not reported in the funds.</p>		
Deferred bond charges	327,392	
Deferred bond premium	<u>(52,693)</u>	274,699
<p>The Internal Service Funds are used by management to charge the cost of insurance to the individual funds. The assets and liabilities of the Internal Service Funds are included in the Statement of Net Position.</p>		
		567,402
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.</p>		
Special assessment bonds	(2,435,000)	
Revenue bonds	(9,103,050)	
Compensated absences	<u>(1,732,605)</u>	<u>(13,270,655)</u>
Net position of governmental activities		<u>\$ 157,143,518</u>

TOWN OF ORO VALLEY, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	<u>General Fund</u>	<u>HURF</u>	<u>Oracle Road Debt Service</u>
Revenues:			
Sales taxes	\$ 12,713,777	\$ 738,492	\$
Franchise taxes	539,477		
Development impact fees			
Special assessments			365,935
Intergovernmental	11,120,347	2,842,721	
Licenses, fees & permits	1,745,974	67,973	
Fines, forfeitures & penalties	202,035		
Charges for services	1,400,745	229,493	
Contributions and donations			
Investment earnings	205,634	25,007	
Other	207,879	16,813	
Total revenues	<u>28,135,868</u>	<u>3,920,499</u>	<u>365,935</u>
Expenditures:			
Current -			
General government	8,825,094		
Public safety	12,276,845		
Highway and streets	1,069,458	2,444,021	
Culture and recreation	2,468,129		
Capital outlay	522,191	976,144	
Debt service -			
Principal retirement			250,000
Interest and fiscal charges			119,378
Total expenditures	<u>25,161,717</u>	<u>3,420,165</u>	<u>369,378</u>
Excess (deficiency) of revenues over expenditures	<u>2,974,151</u>	<u>500,334</u>	<u>(3,443)</u>
Other financing sources (uses):			
Transfers in	106,629		
Transfers out	(1,345,324)		
Total other financing sources (uses):	<u>(1,238,695)</u>		
Changes in fund balances	<u>1,735,456</u>	<u>500,334</u>	<u>(3,443)</u>
Fund balances, beginning of year	11,401,649	3,017,431	3,592
Fund balances, end of year	<u>\$ 13,137,105</u>	<u>\$ 3,517,765</u>	<u>\$ 149</u>

The notes to the basic financial statements are an integral part of this statement.

<u>Townwide Roadway Development Impact Fees</u>	<u>Aquatic Center Project</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
\$	\$	\$ 788,796	\$ 14,241,065
			539,477
719,927		268,415	988,342
			365,935
2,777,171		77,517	16,817,756
			1,813,947
		349,927	551,962
			1,630,238
	27,229		27,229
21,143		14,003	265,787
18,375		106,259	349,326
<u>3,536,616</u>	<u>27,229</u>	<u>1,604,917</u>	<u>37,591,064</u>
		464,677	9,289,771
		65,504	12,342,349
			3,513,479
			2,468,129
4,304,175	4,542,923	708,306	11,053,739
		321,910	571,910
		379,351	498,729
<u>4,304,175</u>	<u>4,542,923</u>	<u>1,939,748</u>	<u>39,738,106</u>
<u>(767,559)</u>	<u>(4,515,694)</u>	<u>(334,831)</u>	<u>(2,147,042)</u>
	1,460,000	137,643	1,704,272
		(656,629)	(2,001,953)
	<u>1,460,000</u>	<u>(518,986)</u>	<u>(297,681)</u>
<u>(767,559)</u>	<u>(3,055,694)</u>	<u>(853,817)</u>	<u>(2,444,723)</u>
2,228,996	3,122,332	3,704,958	23,478,958
<u>\$ 1,461,437</u>	<u>\$ 66,638</u>	<u>\$ 2,851,141</u>	<u>\$ 21,034,235</u>

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**TOWN OF ORO VALLEY, ARIZONA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013**

Net changes in fund balances - total governmental funds **\$ (2,444,723)**

Amounts reported for *governmental activities* in the Statement of Activities are different because:

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 as depreciation expense.

Expenditures for capital assets	\$ 11,282,715	
Less current year depreciation	<u>(7,471,184)</u>	3,811,531

Special assessment revenues in the Statement of Activities do not provide current financial resources and therefore are not reported as revenues in the governmental funds. (250,000)

Repayment of debt principal are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

Revenue bond principal retirement	321,910	
Special assessment bond principal retirement	<u>250,000</u>	571,910

Some 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.

Amortization of deferred charges	(24,188)	
Loss on conveyance of capital assets	(2,606,804)	
Compensated absences	<u>(81,458)</u>	(2,712,450)

The Internal Service Funds are used by management to charge the cost of insurance to the individual funds. The changes in net position of the Internal Service Funds are reported with governmental activities in the Statement of Activities. 567,402

Change in net position in governmental activities **\$ (456,330)**

TOWN OF ORO VALLEY, ARIZONA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

	Enterprise Funds		
	Water	Non-Major Enterprise Funds	Totals
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	\$ 16,828,140	\$ 509,768	\$ 17,337,908
Accounts receivable	2,386,508	80,113	2,466,621
Total current assets	<u>19,214,648</u>	<u>589,881</u>	<u>19,804,529</u>
Noncurrent assets:			
Deferred bond charges	2,799,265		2,799,265
Capital assets, non-depreciable	10,945,150		10,945,150
Capital assets, depreciable (net)	83,713,495	3,253,091	86,966,586
Total noncurrent assets	<u>97,457,910</u>	<u>3,253,091</u>	<u>100,711,001</u>
Total assets	<u>116,672,558</u>	<u>3,842,972</u>	<u>120,515,530</u>
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	483,789	16,966	500,755
Accrued wages and benefits	96,409	18,974	115,383
Intergovernmental payable	1,009,041		1,009,041
Interest payable	938,509		938,509
Customer deposits payable	278,442		278,442
Compensated absences	159,796	11,796	171,592
Capital leases payable		91,713	91,713
Loans payable	281,954		281,954
Revenue bonds	2,406,000		2,406,000
Claims payable			
Total current liabilities	<u>5,653,940</u>	<u>139,449</u>	<u>5,793,389</u>
Noncurrent liabilities:			
Compensated absences	82,320	6,076	88,396
Capital leases payable		93,594	93,594
Loans payable	5,293,087		5,293,087
Revenue bonds	40,943,121		40,943,121
Total noncurrent liabilities	<u>46,318,528</u>	<u>99,670</u>	<u>46,418,198</u>
Total liabilities	<u>51,972,468</u>	<u>239,119</u>	<u>52,211,587</u>
<u>NET POSITION</u>			
Net investment in capital assets	45,734,483	3,067,784	48,802,267
Unrestricted	18,965,607	536,069	19,501,676
Total net position	<u>\$ 64,700,090</u>	<u>\$ 3,603,853</u>	<u>\$ 68,303,943</u>

The notes to the basic financial statements are an integral part of this statement.

Governmental
Activities:
Internal Service
Funds

\$ 701,080

701,080

701,080

46,544

87,134

133,678

133,678

567,402

\$ 567,402

TOWN OF ORO VALLEY, ARIZONA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Enterprise Funds		
	Water	Non-Major Enterprise Funds	Totals
Operating revenues:			
Charges for services	\$ 14,748,328	\$ 750,460	\$ 15,498,788
Other	25,058	62,940	87,998
Self insurance premiums			
Total operating revenues	<u>14,773,386</u>	<u>813,400</u>	<u>15,586,786</u>
Operating expenses:			
Costs of sales and services	8,192,830	861,391	9,054,221
Depreciation and amortization	2,915,506	122,584	3,038,090
Claims payments			
Administrative fees			
Reinsurance premiums			
Total operating expenses	<u>11,108,336</u>	<u>983,975</u>	<u>12,092,311</u>
Operating income (loss)	<u>3,665,050</u>	<u>(170,575)</u>	<u>3,494,475</u>
Nonoperating revenues (expenses):			
Development impact fees	1,253,055		1,253,055
Connection fees	706,159		706,159
Investment earnings		5,471	5,471
Interest expense	(1,939,037)		(1,939,037)
Total nonoperating revenues (expenses)	<u>20,177</u>	<u>5,471</u>	<u>25,648</u>
Income (loss) before capital contributions and transfers	<u>3,685,227</u>	<u>(165,104)</u>	<u>3,520,123</u>
Capital contributions	41,004	7,867	48,871
Transfers in			
Transfers out	<u>(2,319)</u>		<u>(2,319)</u>
Changes in net position	<u>3,723,912</u>	<u>(157,237)</u>	<u>3,566,675</u>
Total net position, beginning of year	60,976,178	3,761,090	64,737,268
Total net position, end of year	<u>\$ 64,700,090</u>	<u>\$ 3,603,853</u>	<u>\$ 68,303,943</u>

The notes to the basic financial statements are an integral part of this statement.

Governmental
Activities:
Internal Service
Funds

\$ 638,787

2,157,847

2,796,634

638,787

1,402,981

57,000

430,464

2,529,232

267,402

267,402

300,000

567,402

\$ 567,402

**TOWN OF ORO VALLEY, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	Enterprise Funds			Governmental Activities
	Water	Non-Major Enterprise Funds	Total	Internal Service Funds
<u>Increase (Decrease) in Cash and Cash Equivalents</u>				
Cash flows from operating activities:				
Cash received from customers	\$ 14,772,803	\$ 797,366	\$ 15,570,169	\$ 638,787
Cash received from premiums				2,157,847
Cash payments to suppliers for goods and services	(5,637,239)	(559,200)	(6,196,439)	(1,023,869)
Cash payments to employees for services	(2,515,676)	(281,305)	(2,796,981)	(81,593)
Cash payments for claims				(1,315,847)
Net cash provided by (used for) operating activities	6,619,888	(43,139)	6,576,749	375,325
Cash flows from noncapital and related financing activities:				
Interfund transfers	(2,319)		(2,319)	300,000
Connection fees	706,159		706,159	
Grants received		157,132	157,132	
Net cash provided by noncapital financing activities	703,840	157,132	860,972	300,000
Cash flows from capital and related financing activities:				
Development impact fees	1,253,055		1,253,055	
Acquisition of capital assets	(2,789,292)	(64,158)	(2,853,450)	
Proceeds from loans	554,569		554,569	
Principal paid on long-term debt	(2,536,840)	(95,512)	(2,632,352)	
Interest on long-term debt	(2,188,825)		(2,188,825)	
Net cash used for capital and related financing activities	(5,707,333)	(159,670)	(5,867,003)	
Cash flows from investing activities:				
Investment income		5,471	5,471	
Net cash provided by investing activities		5,471	5,471	
Net increase (decrease) in cash and cash equivalents	1,616,395	(40,206)	1,576,189	675,325
Cash and cash equivalents, beginning of year	15,211,745	549,974	15,761,719	25,755
Cash and cash equivalents, end of year	\$ 16,828,140	\$ 509,768	\$ 17,337,908	\$ 701,080
<u>Reconciliation of Operating Income to</u>				
<u>Net Cash Provided by (Used for) Operating Activities</u>				
Operating income (loss)	\$ 3,665,050	\$ (170,575)	\$ 3,494,475	\$ 267,402
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation and amortization	2,915,506	122,584	3,038,090	
Change in assets and liabilities:				
Increase in accounts receivable	(31,976)	(16,034)	(48,010)	
Increase in accounts payable	18,441	13,762	32,203	20,789
Increase in claims payable				87,134
Increase in accrued payroll and employee benefits	1,949	8,948	10,897	
Increase (decrease) in compensated absences payable	19,525	(1,824)	17,701	
Increase in deposits held for others	31,393		31,393	
Total adjustments	2,954,838	127,436	3,082,274	107,923
Net cash provided by (used for) operating activities	\$ 6,619,888	\$ (43,139)	\$ 6,576,749	\$ 375,325
<u>Non-cash capital and financing activities</u>				
Contribution of assets from developers	\$ 41,004	\$ 7,867	\$ 48,871	
Capital lease agreements		280,819	280,819	

TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Oro Valley, Arizona have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

During the year ended June 30, 2013, the Town implemented the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB Statement No. 63 establishes reporting guidance for certain elements of the financial statements which are distinct from assets and liabilities.

The more significant of the Town's accounting policies are described below.

A. Reporting Entity

The Town is a municipal entity governed by an elected mayor and council. As required by accounting principles generally accepted in the United States of America, these financial statements present the Town and its component units, entities for which the Town is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the Town's operations and so data from these units are combined with data of the Town, the primary government. The blended component units presented have a June 30 year end.

The financial reporting entity consists of a primary government and its component units. A component unit is a legally separate entity that must be included in the reporting entity in conformity with generally accepted accounting principles. The Town is a primary government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. Furthermore, component units combined with the Town for financial statement presentation purposes, and the Town, are not included in any other governmental reporting entity. Consequently, the Town's financial statements include the funds of those organizational entities for which its elected governing body is financially accountable.

Blended Component Unit – The financial reporting entity presented in these financial statements consists of the Town and one blended component unit. This component unit, discussed below, is included in the Town's reporting entity because of the significance of its operational relationship or financial relationship with the Town. The component unit is governed by a board, substantially or wholly, comprised of the Town's elected council. Separate financial statements are not prepared for the component unit on a stand-alone basis.

TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

The Town of Oro Valley Municipal Property Corporation's (MPC) Board of Directors consists of the three members which are appointed by the Town of Oro Valley Town Council. The MPC, a non-profit corporation incorporated under the laws of the State of Arizona, was originally formed for the purpose of assisting the Town in obtaining financing for acquiring the Cañada Hills and Rancho Vistoso water companies. The Town has a contractual obligation for the repayment of the MPC's Municipal Facilities Revenue Bonds, Series 2003, 2005, and 2007. The activity of the 2003 MPC is reported in the applicable water enterprise fund and the activity of the Series 2005 and 2007 MPC is reported in the applicable water enterprise and governmental funds. All related receivables and payables between the Town and the MPC have been eliminated.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) present financial information about the Town as a whole. The reported information includes all of the nonfiduciary activities of the Town and its component units. For the most part, the effect of internal activity has been removed from these statements. These statements are to distinguish between the governmental and business-type activities of the Town. Governmental activities normally are supported by sales taxes and intergovernmental revenues, and are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 that are restricted to meeting the operational or capital requirements of a particular function or segment. Sales taxes, unrestricted state shared revenues, investment income and other items not included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements.

TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. As a general rule, the effect of internal activity has been eliminated from the government-wide financial statements; however, the effects of interfund services provided and used between functions are reported as expenses and program revenues at amounts approximating their external exchange value.

Fund Financial Statements – 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.

Sales taxes, franchise taxes, licenses and permits, charges for services, special assessments and investment income associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Grants and similar awards are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. Miscellaneous revenue is not susceptible to accrual because generally they are not measurable until received in cash. Grants and similar awards are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. Deferred revenue arises when resources are received by the Town before it has legal claim to them, as when grant monies are received prior to meeting all eligibility requirements imposed by the provider.

The Council adopts the budget at the fund level as a total amount of expenditures. Financial control is administered by fund, with budgetary control for operating performance regulated at the departmental level, e.g., finance, economic development, police, and parks and recreation. The legal level of budgetary control (i.e. the level at which expenditures may not legally exceed appropriations) is at the fund level.

TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

The Town reports the following major governmental funds.

General Fund – This fund accounts for all financial resources of the Town, except those required to be accounted for in other funds.

Highway User Revenue Fund – This fund is used to account for the Town's share of motor fuel tax revenues.

Oracle Road Debt Service Fund – This fund accounts for the special assessment collections and payment of the outstanding Oracle Road bond issue.

Townwide Roadway Development Impact Fees Fund – This fund accounts for the collection and capital expenditures of the Townwide Roadway Development Impact Fees.

Aquatic Center Project Fund – This fund accounts for construction of the expanded Aquatic Center at James D. Kriegh Park.

The Town reports the following major proprietary funds.

Water Fund – This fund accounts for the costs to operate, construct and finance the Town's water system.

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 the Town's internal service fund are charges for health benefits and charges to user departments for fleet maintenance services. The principal operating revenues of the Town's enterprise fund are charges to customers for water and stormwater drainage services. Operating expenses for these funds include the cost of sales and services, administrative expenses, depreciation, and amortization. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. Cash and Investments

For purposes of the Statement of Cash Flows, the Town considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents at June 30, 2013 were cash in bank and investments held by the County and State Treasurers.

Nonparticipating interest-earning investment contracts are stated at cost. Money market investments and participating interest investment contracts with a remaining maturity of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value.

E. Investment Income

Investment income is composed of interest, dividends, and net changes in the fair value of applicable investments.

F. Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Interfund balances between governmental funds are eliminated on the Statement of Net Position

All trade receivables are shown net of an allowance for uncollectibles.

G. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide and fund financial statements. Prepaid items are recorded as expenses when consumed in the government-wide financial statements and as expenditures when purchased in the fund financial statements.

H. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of \$5,000 or more and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at estimated fair market value at the date of donation.

TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. 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.

Certain capital assets of the Town are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Improvements other than buildings	20-30
Infrastructure	20-50
Vehicles	4-6
Machinery and equipment	7-20

I. Compensated Absences

The Town's employee annual and sick leave policies generally provide for granting annual and sick leave with pay. Full-time employees accrue annual leave based on the number of years employed. Employees who terminate employment shall be paid in a lump sum. Full-time employees accumulate sick leave at the rate of one work day per month. Part-time employees whose normal week is twenty hours or more receive sick leave at half the rate of full-time employees. Once an employee has exceeded 480 hours of accrued sick leave, one half of the sick leave balance in excess of the 480 hours shall be paid to the employee upon separation from employment. The current and long-term liabilities, including related benefits, for accumulated vacation and sick leave are reported on the government-wide financial statements. A liability for these amounts, including related benefits, is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations and retirements. Generally, resources from the General Fund are used to pay for compensated absences.

J. Long-term Obligations

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable business-type activities and proprietary fund type statement of net position.

TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concl'd)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

K. Interfund Activity

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers between governmental funds are eliminated in the Statement of Activities. Interfund transfers in the fund statements are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds.

L. Net Position Flow Assumption

In the government-wide and proprietary fund financial statements the District applies restricted resources first when outlays are incurred for purposes for which either restricted or unrestricted amounts are available.

M. Estimates

The preparation of the 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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2 – FUND BALANCE CLASSIFICATIONS

Fund balances of the governmental funds are reported separately within classifications based on a hierarchy of the constraints placed on the use of those resources. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable, restricted, and unrestricted, which includes committed, assigned, and unassigned fund balance classifications.

Nonspendable. The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact.

TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 2 – FUND BALANCE CLASSIFICATIONS (Cont'd)

Restricted. Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation.

Committed. The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action of the Town Council through the approval of a Town resolution. Those committed amounts cannot be used for any other purpose unless the Town Council removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. The committed fund balance reported in the Bed Tax Fund is to be used for local economic development purposes. The committed fund balance reported in the Highway User Revenue Fund is to be used for roadway maintenance and preservation purposes.

Assigned. 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 restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Town Council or a management official delegated that authority by the formal Town Council action. This authorization has been given to the Town Manager through the approval of Resolution No. (R)11-30, which amended the Town Financial and Budgetary Policies. The assigned fund balance in the General Fund is set aside for the payout of compensated absences and for unemployment compensation claims.

Unassigned. Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had be restricted, committed, or assigned.

The Town applies restricted resources first when outlays are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 2 – FUND BALANCE CLASSIFICATIONS (Concl'd)

The table below provides detail of the major components of the Town's fund balance classifications at year end.

	General Fund	Highway User Revenue Fund	Oracle Road Debt Service Fund	Townwide Roadway Development Impact Fees	Aquatic Center Project Fund	Non-Major Governmental Funds
Fund Balances:						
Restricted:						
Debt service	\$	\$	\$ 149	\$	\$	\$ 774,914
Capital projects				1,461,437	66,638	412,684
Public safety						1,014,490
Committed		3,517,765				649,053
Assigned	1,608,035					
Unassigned	11,529,070					
Total fund balances	<u>\$ 13,137,105</u>	<u>\$ 3,517,765</u>	<u>\$ 149</u>	<u>\$ 1,461,437</u>	<u>\$ 66,638</u>	<u>\$ 2,851,141</u>

NOTE 3 – CASH AND INVESTMENTS

A.R.S. authorize the Town to invest public monies in obligations of the U.S. Government and its agencies, obligations of the State and certain local government subdivisions, interest-bearing savings accounts and certificates of deposit, collateralized repurchase agreements, certain obligations of U.S. corporations, and certain other securities. The statutes do not include any requirements for credit risk, custodial credit risk, concentration of credit risk, interest rate risk, or foreign currency risk for the Town's investments.

The State Treasurer's pools are external investment pools, the Local Government Investment Pool (Pool 5) and Local Government Investment Pool-Government (Pool 7), with no regulatory oversight. The pools are not required to register (and are not registered) with the Securities and Exchange Commission. The activity and performance of the pools are reviewed monthly by the State Board of Investment. The fair value of each participant's position in the State Treasurer investment pools approximates the value of the participant's shares in the pool and the participants' shares are not identified with specific investments. No regulatory oversight is provided for the County Treasurer's investment pool and that pool's structure does not provide for shares.

The County Treasurer's pool is an external investment pool with no regulatory oversight. The pool is not required to register (and is not registered) with the Securities and Exchange Commission. The fair value of each participants' position in the County Treasurer investment pool approximates the value of the participants' shares in the pool and the participants' shares are not identified with specific investments.

TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 3 – CASH AND INVESTMENTS (Cont'd)

Custodial Credit Risk – Deposits. Custodial Credit risk is the risk that in the event of bank failure the Town's deposits may not be returned to the Town. The Town does not have a deposit policy for custodial credit risk. At year end, the carrying value of the Town's deposits was \$924,060 and the bank balance was \$1,942,165.

At year end, the Town's investments consisted of the following.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investments Maturities</u> (in Years)	
		<u>Less than 1</u>	<u>1-5</u>
Money Market - U.S. Treasuries	\$ 4,081,253	\$4,081,253	\$
Municipal Securities	634,293		634,293
U.S Treasury Bonds/Notes	19,189,217		19,189,217
U.S. Agencies Bonds/Notes	9,835,446	<u>3,075,331</u>	<u>6,760,115</u>
		<u>\$7,156,584</u>	<u>\$ 26,583,625</u>
County Treasurer's investment pool	1,199,480	248 days average maturities	
State Treasurer's investment pool 5	<u>2,600,140</u>	25 days average maturities	
Total	<u>\$37,539,829</u>		

Interest Rate Risk. The Town has implemented an investment policy that will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates by the following.

1. Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity; and
2. Investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools limiting the average maturity in the portfolio in accordance with this policy.

Credit Risk. The Town has implemented an investment policy that will minimize credit risk, which is the risk of loss due to the failure of the security or backer by the following:

1. Limiting investments to the types of securities listed in Section 6 if this investment policy;
2. Pre-qualifying financial institutions, broker/dealers, intermediaries, and advisers with which the Town will do business in accordance with Section 5; and
3. Diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized.

TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 3 – CASH AND INVESTMENTS (Concl'd)

As of year end, the Town's investment in the State and County Treasurers' investment pools did not receive a credit quality rating from a national rating agency. The State Treasurer's investment pool 5 was rated AAAF/S1+ by Standard and Poor's at year end. The Town's investments in U.S. agencies and municipal bonds were rated AA+ and AAA/AA, respectively, by Standard and Poor's.

Custodial Credit Risk – Investments. The Town's investment in the State and County Treasurer's investment pools represents a proportionate interest in the pool's portfolio; however, the Town's portion is not identified with specific investments and is not subject to custodial credit risk.

Concentration of Credit Risk. The Town places no limit on the amount the Town may invest in any one issuer. More than 5 percent of the Town's investments are in FHLMC and FNMA notes. These investments are 11% and 19% of the Town's total investments, respectively.

NOTE 4 – RECEIVABLES

Receivable balances, net of allowance for uncollectibles, have been disaggregated by type and presented separately in the financial statements with the exception of intergovernmental receivables. Intergovernmental receivables, net of allowance for uncollectibles, as of year end for the Town's individual major funds in the aggregate, were as follows.

	<u>General Fund</u>	<u>HURF Fund</u>	<u>Townwide Roadway Development Impact Fees</u>
Intergovernmental receivables:			
Due from Federal government	\$ 129,517	\$	\$
Due from State government	350,235	250,427	
Due from other governments			1,847,349
Net intergovernmental receivables	<u>\$ 479,752</u>	<u>\$ 250,427</u>	<u>\$ 1,847,349</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows.

	<u>Unearned</u>	<u>Unavailable</u>
Prepaid developer fees (General Fund)	\$ 186,728	\$
Special assessments (Oracle Road Debt Service Fund)		2,435,000
Total deferred revenue for governmental funds	<u>\$ 186,728</u>	<u>\$ 2,435,000</u>

TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 5 – CAPITAL ASSETS

A summary of capital asset activity for the current fiscal year follows.

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 18,878,468	\$	\$	\$ 18,878,468
Construction in progress	6,083,031	4,246,711	386,248	9,943,494
Total capital assets, not being depreciated	<u>24,961,499</u>	<u>4,246,711</u>	<u>386,248</u>	<u>28,821,962</u>
Capital assets, being depreciated:				
Infrastructure	152,734,484	1,211,281		153,945,765
Buildings and improvements	24,330,218	5,361,411	3,141,641	26,549,988
Machinery, equipment, and vehicles	11,328,666	849,560	677,751	11,500,475
Total capital assets being depreciated	<u>188,393,368</u>	<u>7,422,252</u>	<u>3,819,392</u>	<u>191,996,228</u>
Less accumulated depreciation for:				
Infrastructure	(55,238,241)	(5,887,557)		(61,125,798)
Buildings and improvements	(5,566,333)	(586,592)	(611,040)	(5,541,885)
Machinery, equipment, and vehicles	(7,652,183)	(997,035)	(601,548)	(8,047,670)
Total accumulated depreciation	<u>(68,456,757)</u>	<u>(7,471,184)</u>	<u>(1,212,588)</u>	<u>(74,715,353)</u>
Total capital assets, being depreciated, net	<u>119,936,611</u>	<u>(48,932)</u>	<u>2,606,804</u>	<u>117,280,875</u>
Governmental activities capital assets, net	<u>\$ 144,898,110</u>	<u>\$ 4,197,779</u>	<u>\$ 2,993,052</u>	<u>\$146,102,837</u>
<u>Business-Type Activities</u>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 2,410,660	\$	\$	\$ 2,410,660
Water rights	8,534,490			8,534,490
Construction in progress	2,572,273	952,893	3,525,166	
Total capital assets, not being depreciated	<u>13,517,423</u>	<u>952,893</u>	<u>3,525,166</u>	<u>10,945,150</u>
Capital assets, being depreciated:				
Water system	107,415,415	5,459,005		112,874,420
Stormwater system	2,779,503			2,779,503
Equipment and vehicles	3,894,930	492,703		4,387,633
Total capital assets being depreciated	<u>114,089,848</u>	<u>5,951,708</u>		<u>120,041,556</u>
Less accumulated depreciation for:				
Water system	(27,427,164)	(2,609,994)		(30,037,158)
Stormwater system	(132,645)	(59,291)		(191,936)
Equipment and vehicles	(2,496,521)	(349,355)		(2,845,876)
Total accumulated depreciation	<u>(30,056,330)</u>	<u>(3,018,640)</u>		<u>(33,074,970)</u>
Total capital assets, being depreciated, net	<u>84,033,518</u>	<u>2,933,068</u>		<u>86,966,586</u>
Business-type activities capital assets, net	<u>\$ 97,550,941</u>	<u>\$ 3,885,961</u>	<u>\$ 3,525,166</u>	<u>\$ 97,911,736</u>

**TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 5 – CAPITAL ASSETS (Concl'd)

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 728,025
Public Safety	368,650
Highways and streets	5,975,300
Culture and recreation	<u>399,209</u>
Total depreciation expense – governmental activities	<u>\$7,471,184</u>
Business-type activities:	
Water	\$2,896,056
Stormwater	<u>122,584</u>
Total depreciation expense – business-type activities	<u>\$3,018,640</u>

Special Item – On January 1, 2013, the Town transferred library operations and management to the Pima County Free Public Library District. A portion of the library capital assets were conveyed to the Pima County Free Library District which resulted in a reduction of \$3.4 million in the Town’s capital assets.

Construction Commitments – As of year end, the Town was involved in several construction projects. The estimated cost to complete the construction projects is \$5.5 million.

NOTE 6 – LOANS PAYABLE

The Town received two loans from the Water Infrastructure Finance Authority of Arizona for water system projects. The loans payable at current fiscal year end are presented below.

Business-type activities:	Interest Rate (Including Fees)	Remaining Maturities	Outstanding Principal June 30, 2013	Due Within One Year
WIFA Loan, 2007	2.04%	7/1/13-24	\$ 3,616,397	\$ 192,168
WIFA Loan, 2009	2.75%	7/1/13-29	<u>1,958,644</u>	<u>89,786</u>
Total			<u>\$ 5,575,041</u>	<u>\$ 281,954</u>

TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 6 – LOANS PAYABLE (Concl'd)

Principal and interest payments on the business-type activities loans payable at June 30, 2013 are summarized as follows.

Year ending June 30:	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$ 281,954	\$ 185,162
2015	290,521	175,372
2016	300,461	165,264
2017	310,740	154,808
2018	321,372	143,995
2019-23	1,779,551	544,312
2024-28	2,004,230	214,344
2029-30	286,212	9,120
Total	<u>\$ 5,575,041</u>	<u>\$ 1,592,377</u>

NOTE 7 – BONDS PAYABLE

Bonds payable at year end, consisted of the following outstanding revenue and refunding bonds. The bonds are both callable and noncallable with interest payable semiannually. Taxes and Impact Fees are used to pay bonded debt.

<u>Purpose</u>	<u>Original Amount Issued</u>	<u>Interest Rates</u>	<u>Remaining Maturities</u>	<u>Outstanding Principal June 30, 2013</u>	<u>Due Within One Year</u>
Governmental activities:					
Revenue Bonds, 2005	\$ 4,164,050	3.50-4.25%	7/1/13-25	\$ 3,068,600	\$ 184,250
Refunding Revenue Bonds, 2007	1,389,180	4.25-5.00%	7/1/13-26	1,269,450	9,750
Excise Tax Revenue Obligations, 2010	2,445,000	3.08-6.59%	7/1/13-27	2,185,000	135,000
Revenue Bonds, 2012	2,580,000	2.00-4.00%	7/1/13-27	2,580,000	115,000
Total				<u>\$ 9,103,050</u>	<u>\$ 444,000</u>

TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 7 – BONDS PAYABLE (Cont'd)

Annual debt service requirements to maturity on revenue and refunding bonds for governmental activities at year end are summarized as follows.

Year ending June 30:	Governmental Activities	
	Principal	Interest
2014	\$ 444,000	\$ 382,639
2015	479,440	367,991
2016	530,920	350,711
2017	539,960	330,665
2018	554,000	308,392
2019-23	3,324,340	1,126,568
2024-28	3,230,390	330,038
Total	\$ 9,103,050	\$ 3,197,004

Purpose	Original Amount Issued	Interest Rates	Remaining Maturities	Outstanding Principal June 30, 2013	Due Within One Year
Business-type activities:					
Revenue Bonds, 2003	\$ 31,750,000	3.70-5.00%	7/1/13-28	\$ 980,000	\$ 980,000
Refunding Revenue Bonds, 2003	10,225,080	3.75-5.00%	7/1/13-19	940,000	940,000
Revenue Bonds, 2005	2,050,950	3.50-4.25%	7/1/13-25	1,511,400	90,750
Refunding Revenue Bonds, 2007	16,420,820	4.25-5.00%	7/1/13-26	15,005,550	115,250
Refunding Revenue Bonds, 2012	16,595,000	2.00-5.00%	7/1/13-28	16,595,000	280,000
Refunding Revenue Bonds, 2013	6,355,000	1.45%	7/1/14-19	6,355,000	
Total				\$ 41,386,950	\$ 2,406,000

Annual debt service requirements to maturity revenue and refunding bonds for business-type activities at year end are summarized as follows.

Year ending June 30:	Business-type Activities	
	Principal	Interest
2014	\$ 2,406,000	\$ 2,576,206
2015	2,995,560	1,400,141
2016	3,054,080	1,322,821
2017	3,155,040	1,236,878
2018	3,231,000	1,152,362
2019-23	17,305,660	3,837,443
2024-28	8,874,610	814,728
2029	365,000	6,159
Total	\$ 41,386,950	\$ 12,346,738

TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 7 – BONDS PAYABLE (Concl'd)

Issuance of refunding bonds – business-type activities. On June 26, 2013, the Town issued \$6,355,000 in refunding bonds, with an effective interest rate of 1.4 percent, to advance refund \$6,275,000 of outstanding MPC Excise Tax Revenue Refunding Bonds, Series 2003, with an average interest rate of 4.0 percent. The net proceeds of \$6.3 million, (after payment of \$76,485 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent, to provide for all future debt service payments of the refunded revenue bonds. As a result, the refunded revenue bonds are considered to be defeased, and the liability for those bonds has been removed from both the government-wide and proprietary funds financial statements. The advanced refunding was undertaken to reduce total debt service payments over the next 5 years by \$145,614 and resulted in an economic gain (difference between the present values of the old and new debt service payments) of \$458,679.

Pledged revenues – governmental activities. The Town has pledged future sales (excise) tax revenues to repay outstanding revenue bonds and refunding revenue bonds of \$9.1 million as of June 30, 2013. Proceeds from the original bond issuances, including those subsequently refunded, provided financing for land acquisition and facility construction. The bonds are paid solely from the Town's sales taxes and are payable through 2028. Total annual principal and interest payments for all sales tax revenue bonds are expected to require less than 7% of gross revenues. The total principal and interest to be paid on the bonds is \$12.3 million. The current total sales tax revenues were \$13.5 million and the total principal and interest paid on the bonds was \$693,861, or 5% of gross revenues.

Pledged revenues – business-type activities. The Town has pledged future water revenues to repay outstanding revenue bonds and refunding revenue bonds of \$41.4 million as of June 30, 2013. Proceeds from the original bond issuances, including those subsequently refunded, provided financing for the construction and improvements to the Town's water systems and infrastructure. The bonds are paid solely from water utility revenues and are payable through 2029. Total annual principal and interest payments for all water revenue bond issuances are expected to require approximately 25% of gross revenues. The total principal and interest to be paid on the bonds is \$53.7 million. The current total customer gross revenues were \$16.7 million and the total principal and interest paid on the bonds was \$4.3 million or 26% of gross revenues.

TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 8 – SPECIAL ASSESSMENT BONDS

Special assessment bonds at year end consisted of the following outstanding bonds. The bonds are both callable and noncallable with interest payable semiannually. Special assessments from the Oracle Road Debt Service Fund are used to pay bonded debt.

Purpose	Original Amount Issued	Interest Rates	Remaining Maturities	Outstanding Principal June 30, 2013	Due Within One Year
Governmental activities:					
Special assessments debt	\$3,945,000	4.20-5.00%	1/1/13-21	\$ 2,435,000	\$ 260,000
Total				<u>\$ 2,435,000</u>	<u>\$ 260,000</u>

Annual debt service requirements to maturity on special assessment bonds at year end are summarized as follows.

Year ending June 30:	Governmental Activities	
	Principal	Interest
2014	\$ 260,000	\$ 105,867
2015	270,000	94,602
2016	280,000	82,637
2017	295,000	69,102
2018	310,000	54,674
2019-21	1,020,000	73,345
Total	<u>\$ 2,435,000</u>	<u>\$ 480,227</u>

NOTE 9 – OBLIGATIONS UNDER CAPITAL LEASES

The business-type activities of the Town have acquired a street sweeper and vacuum excavator under the provisions of long-term lease agreements classified as a capital leases. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. Revenues from the Stormwater Fund are used to pay the capital lease obligations.

The assets capitalized and acquired through capital leases are as follows.

Asset:	Business-type Activities
Vehicles	\$ 280,819
Less: Accumulated depreciation	13,609
Total	<u>\$ 267,210</u>

TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 9 – OBLIGATIONS UNDER CAPITAL LEASES (Concl'd)

The future minimum lease obligations and the net present value of these minimum lease payments at year end were as follows.

Year Ending June 30:	Governmental Activities
2014	\$ 95,512
2015	95,512
Total minimum lease payments	<u>191,024</u>
Less: amount representing interest	<u>5,717</u>
Present value of minimum lease payments	<u>\$ 185,307</u>
Due within one year	<u>\$ 91,713</u>

NOTE 10 – CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the current fiscal year was as follows.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Revenue bonds payable	\$ 9,424,960	\$	\$ 321,910	\$ 9,103,050	\$ 444,000
Deferred bond premium	61,008		8,315	52,693	
Special assessments payable	2,685,000		250,000	2,435,000	260,000
Compensated absences payable	<u>1,651,147</u>	<u>1,535,700</u>	<u>1,454,242</u>	<u>1,732,605</u>	<u>1,351,432</u>
Governmental activity long-term liabilities	<u>\$ 13,822,115</u>	<u>\$ 1,535,700</u>	<u>\$ 2,034,467</u>	<u>\$ 13,323,348</u>	<u>\$ 2,055,432</u>
 Business-type activities:					
Revenue bonds payable	\$ 43,843,790	\$ 6,355,000	\$ 8,811,840	\$ 41,386,950	\$ 2,406,000
Deferred bond premium	2,144,541		182,370	1,962,171	
Loan payable	5,893,122		318,081	5,575,041	281,954
Capital lease payable		280,819	95,512	185,307	91,713
Compensated absences payable	<u>242,287</u>	<u>240,520</u>	<u>222,819</u>	<u>259,988</u>	<u>171,592</u>
Business-type activities long-term liabilities	<u>\$ 52,123,740</u>	<u>\$ 6,876,339</u>	<u>\$ 9,630,622</u>	<u>\$ 49,369,457</u>	<u>\$ 2,951,259</u>

TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 11 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Due to/from other funds – At year end, the Townwide Roadway Development Impact Fees Fund had interfund borrowing with the General Fund to address temporary cash flow needs. All interfund balances are expected to be paid within one year.

Interfund transfers:

Transfers out	Transfers in				Total
	General Fund	Aquatic Center Project Fund	Non-Major Governmental Funds	Internal Service Funds	
General Fund	\$	\$ 910,000	\$ 135,324	\$ 300,000	\$ 1,345,324
Non-Major Governmental Funds	106,629	550,000			656,629
Water Fund			2,319		2,319
Total	\$ 106,629	\$ 1,460,000	\$ 137,643	\$ 300,000	\$ 2,004,272

Transfers were made from the General, Bed Tax, and Townwide Facilities Projects Funds to the Aquatic Center Project Fund to provide funding for the construction of the Aquatic Center Facilities at James D. Kriegh Park as approved by the Town Council. In addition, transfers were made from the General and Water Funds to the Municipal Debt Service Fund for debt service. The transfer from the General Fund to the Internal Service Funds was to help establish the Self Insurance Fund. Finally, transfers were made from the Bed Tax Fund to the General Fund to subsidize the increased operating costs of the new Oro Valley Aquatic Center as directed by the Town Council.

NOTE 12 – CONTINGENT LIABILITIES

Compliance – Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures/expenses that may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

**TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 13 – 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; injuries to employees; 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 \$10,000,000 per occurrence on a follow form, claims made basis. The aggregate limit is also \$10,000,000. 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 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 members’ additional premiums should reserves and annual premiums be insufficient to meet the Pool’s obligations.

The Town is insured by Arizona Municipal Workers Compensation Pool for potential worker related accidents.

The Town has established a Self Insurance Fund to account for and finance its employee health benefits program. The activity is reported in an internal service fund in these financial statements. Under this program, the Fund provides coverage for up to a maximum of \$100,000 for each claim, not to exceed an annual aggregate of \$2,000,000. The Fund purchases commercial insurance for claims in excess of this coverage. Settled claims have not exceeded this coverage for the fiscal year.

The Town limits its exposure through specific and aggregate stop-loss coverage. All claims handling procedures are performed by a third-party claims administrator. Reported unpaid claims, as well as incurred but not reported claims, have been accrued as a liability based upon the claims administrator’s estimate. These claims are expected to be fully paid within one year of the financial statement date.

	Claims Payable Beginning of Year	Current Year Claims and Changes in Estimates	Claim Payments	Claims Payable at End of Year
2012-13	- 0 -	\$ 1,402,981	\$ 1,315,847	\$ 87,134

TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 14 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

Plan Descriptions – The Town contributes to the three plans described below. Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits.

The *Arizona State Retirement System* (ASRS) administers a cost-sharing multiple-employer defined benefit pension plan; a cost-sharing multiple employer defined benefit health insurance premium plan; and a cost-sharing, multiple-employer defined benefit long-term disability plan that covers employees of the State of Arizona and employees of participating political subdivisions and school districts. 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 *Public Safety Personnel Retirement System* (PSPRS) administers 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 as employees of the State of Arizona or one of its political subdivisions. The PSPRS, acting as a common investment and administrative agent, is governed by a five-member board, known as The Fund Manager, and 162 local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

The *Corrections Officer Retirement Plan* (CORP) administers an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium plan that covers certain employees of the State of Arizona's Department of Corrections and Department of Juvenile Corrections, and county employees whose primary duties require direct inmate contact. The CORP is governed by The Fund Manager of PSPRS and the participating local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 6.

Each plan issues a publicly available financial report that includes its financial statements and required supplementary information. A report may be obtained by writing or calling the applicable plan. The reports are also available on their websites at www.azasrs.gov and www.psprs.com.

ASRS

P.O. Box 33910
Phoenix, AZ 85012-0250
(602) 240-2200 or (800) 621-3778

PSPRS/CORP

3010 E. Camelback Road Suite 200
Phoenix, AZ 85016
(602) 255-5575

**TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 14 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Cont'd)

Funding policy – The Arizona State Legislature establishes and may amend active plan members’ and the Town’s contribution rates.

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

The Town’s contributions for the current and two preceding years, all of which were equal to the required contributions, were as follows.

	<u>Retirement Fund</u>	<u>Health Benefit Supplement Fund</u>	<u>Long-Term Disability Fund</u>
Year ending June 30:			
2013	\$ 1,089,376	\$ 69,082	\$ 25,507
2012	924,771	59,028	22,487
2011	985,116	77,959	47,248

Agent plan – For the current fiscal year, active PSPRS and CORP members were required by statute to contribute 9.55 and 7.96 percent of the members’ annual covered payroll, and the Town was required to contribute at the actuarially determined rate of 18.72 and 11.28 percent. The health insurance premium portion of the contribution rate was actuarially set at 1.34 percent of covered payroll for PSPRS and 0.89 percent for CORP.

TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 14 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Cont'd)

Actuarial methods and assumptions – The contribution requirements for the year ended June 30, 2013 were established by the June 30, 2011 actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. The required schedule of funding programs which follows provides multi-year 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.

	<u>PSPRS</u>	<u>CORP</u>
Contribution rates:		
Town	18.72%	11.28%
Plan members	9.55%	7.96%
Actuarial valuation date	June 30, 2011	June 30, 2011
Actuarial cost method	Entry age normal	Entry age normal
Actuarial assumptions:		
Investment rate of return	8.25%	8.25%
Projected salary increases	5.0% - 8.0%	5.0% - 8.0%
Payroll growth	5.0%	5.0%
Healthcare cost trend rate	N/A - flat rate subsidy	N/A - flat rate subsidy
Amortization method	Level percent-of-pay closed	Level percent-of-pay closed
Remaining amortization	25 years for underfunded , 20 years for overfunded	25 years for underfunded , 20 years for overfunded
Asset valuation method	7-year smoothed market	7-year smoothed market

Annual Pension/OPEB Cost – The Town's pension/OPEB cost for the agent plans for the current fiscal year end and related information follows.

	<u>PSPRS</u>		<u>CORP</u>	
	<u>Pension</u>	<u>Health Insurance</u>	<u>Pension</u>	<u>Health Insurance</u>
Annual pension/OPEB cost	\$ 1,031,650	\$ 79,540	\$ 44,936	\$ 3,849
Contributions made	\$ 1,031,650	\$ 79,540	\$ 44,936	\$ 3,849

**TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 14 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Cont'd)

Trend Information – Information for each of the agent plans as of most recent actuarial valuations follows.

Oro Valley Police Plan (PSPRS):

Year Ended <u>June 30,</u>	Annual Pension <u>Cost (APC)</u>	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
<i>Pension</i>			
2013	\$1,031,650	100%	-0-
2012	914,787	100%	-0-
2011	874,605	100%	-0-
<i>Health Insurance</i>			
2013	\$ 79,540	100%	-0-
2012	40,410	100%	-0-
2011	36,442	100%	-0-

Oro Valley Dispatchers Plan (CORP):

Year Ended <u>June 30,</u>	Annual Pension <u>Cost (APC)</u>	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
<i>Pension</i>			
2013	\$44,936	100%	-0-
2012	40,512	100%	-0-
2011	47,611	100%	-0-
<i>Health Insurance</i>			
2013	\$ 3,849	100%	-0-
2012	2,051	100%	-0-
2011	1,925	100%	-0-

**TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 14 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Concl'd)

Funding Progress – An analysis of funding progress for each of the agent plans as of the most recent actuarial valuations follows.

Oro Valley Police Plan (PSPRS):

Pension

Valuation Date June 30,	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Funding Liability (a-b)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Liability as Percentage of Covered Payroll ([a-b]/c)
2012	\$21,539,446	\$29,146,126	\$(7,606,680)	73.9%	\$5,994,297	126.90%
2011	19,281,518	25,262,364	(5,980,846)	76.3%	5,728,605	104.40%
2010	17,152,906	21,796,927	(4,644,021)	78.7%	5,994,879	77.47%

Health Insurance

2012	\$ -0-	\$ 870,374	\$ (870,374)	0.0%	\$ 5,994,297	14.52%
2011	-0-	942,374	(942,374)	0.0%	5,728,605	16.45%
2010	-0-	715,698	(715,698)	0.0%	5,994,879	11.94%

Oro Valley Dispatchers Plan (CORP):

Pension

Valuation Date June 30,	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Funding Liability (a-b)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Liability as Percentage of Covered Payroll [a-b]/c)
2012	\$1,173,314	\$1,904,329	\$(731,015)	61.6%	\$451,808	161.80%
2011	1,160,778	1,670,411	(509,633)	69.5%	477,701	106.68%
2010	1,057,358	1,349,198	(291,840)	78.4%	513,337	56.85%

Health Insurance

2012	\$ -0-	\$62,245	\$(62,245)	0.0%	\$451,808	13.78%
2011	-0-	61,474	(61,474)	0.0%	477,701	12.87%
2010	-0-	45,521	(45,521)	0.0%	513,337	8.87%

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**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
(REQUIRED SUPPLEMENTARY INFORMATION)**

TOWN OF ORO VALLEY, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2013

	<u>Budgeted Amounts</u>		<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original & Final</u>	<u>Actual</u>	
Revenues:			
Sales taxes	\$ 11,827,995	\$ 12,713,777	\$ 885,782
Franchise taxes	500,000	539,477	39,477
Intergovernmental	11,785,572	11,120,347	(665,225)
Licenses, fees & permits	936,469	1,745,974	809,505
Fines, forfeitures & penalties	190,000	202,035	12,035
Charges for services	1,217,556	1,400,745	183,189
Investment earnings	89,000	205,634	116,634
Other	134,000	207,879	73,879
Total revenues	<u>26,680,592</u>	<u>28,135,868</u>	<u>1,455,276</u>
Expenditures:			
Current -			
General government	9,591,659	8,825,094	766,565
Public safety	12,667,903	12,276,845	391,058
Highway and streets	852,520	1,069,458	(216,938)
Culture and recreation	2,630,112	2,468,129	161,983
Capital outlay	908,799	522,191	386,608
Total expenditures	<u>26,650,993</u>	<u>25,161,717</u>	<u>1,489,276</u>
Excess (deficiency) of revenues over expenditures	<u>29,599</u>	<u>2,974,151</u>	<u>2,944,552</u>
Other financing sources (uses):			
Transfers in	176,747	106,629	(70,118)
Transfers out	(135,324)	(1,345,324)	(1,210,000)
Total other financing sources (uses):	<u>41,423</u>	<u>(1,238,695)</u>	<u>(1,280,118)</u>
Changes in fund balances	<u>71,022</u>	<u>1,735,456</u>	<u>1,664,434</u>
Fund balances (deficits), beginning of year	(71,022)	11,401,649	11,472,671
Fund balances, end of year	<u>\$</u>	<u>\$ 13,137,105</u>	<u>\$ 13,137,105</u>

See accompanying notes to this schedule.

**TOWN OF ORO VALLEY, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
HURF
YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	<u>Original & Final</u>	<u>Actual</u>	<u>(Negative)</u>
Revenues:			
Sales taxes	\$ 316,885	\$ 738,492	\$ 421,607
Intergovernmental	2,740,005	2,842,721	102,716
Licenses, fees & permits	43,000	67,973	24,973
Charges for services	229,493	229,493	
Investment earnings	7,000	25,007	18,007
Other	10,000	16,813	6,813
Total revenues	<u>3,346,383</u>	<u>3,920,499</u>	<u>574,116</u>
Expenditures:			
Current -			
Highway and streets	6,108,346	2,444,021	3,664,325
Capital outlay		976,144	(976,144)
Total expenditures	<u>6,108,346</u>	<u>3,420,165</u>	<u>2,688,181</u>
Changes in fund balances	<u>(2,761,963)</u>	<u>500,334</u>	<u>3,262,297</u>
Fund balances, beginning of year	2,761,963	3,017,431	255,468
Fund balances, end of year	<u>\$</u>	<u>\$ 3,517,765</u>	<u>\$ 3,517,765</u>

See accompanying notes to this schedule.

TOWN OF ORO VALLEY, ARIZONA
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2013

NOTE 1 – BUDGETARY BASIS OF ACCOUNTING

The adopted budget of the Town is prepared on the modified accrual basis of accounting.

**COMBINING AND INDIVIDUAL
FUND FINANCIAL STATEMENTS
AND SCHEDULES**

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GOVERNMENTAL FUNDS

TOWN OF ORO VALLEY, ARIZONA
COMBINING BALANCE SHEET - ALL NON-MAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
JUNE 30, 2013

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 1,725,361	\$ 774,914	\$ 447,825
Total assets	<u>\$ 1,725,361</u>	<u>\$ 774,914</u>	<u>\$ 447,825</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 61,818	\$	\$ 35,141
Total liabilities	<u>61,818</u>	<u></u>	<u>35,141</u>
Fund balances:			
Restricted	1,014,490	774,914	412,684
Committed	649,053		
Total fund balances	<u>1,663,543</u>	<u>774,914</u>	<u>412,684</u>
Total liabilities and fund balances	<u>\$ 1,725,361</u>	<u>\$ 774,914</u>	<u>\$ 447,825</u>

Total Non-
Major
Governmental
Fund

\$ 2,948,100
\$ 2,948,100

\$ 96,959
96,959

2,202,088
649,053
2,851,141

\$ 2,948,100

TOWN OF ORO VALLEY, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
ALL NON-MAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
YEAR ENDED JUNE 30, 2013

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Revenues:			
Sales taxes	\$ 788,796	\$	\$
Development impact fees			268,415
Intergovernmental		77,517	
Fines, forfeitures & penalties	349,927		
Investment earnings	10,302	23	3,678
Other	10,000	96,259	
Total revenues	<u>1,159,025</u>	<u>173,799</u>	<u>272,093</u>
Expenditures:			
Current -			
General government	464,677		
Public safety	65,504		
Capital outlay	239,679		468,627
Debt service -			
Principal retirement		321,910	
Interest and fiscal charges		379,351	
Total expenditures	<u>769,860</u>	<u>701,261</u>	<u>468,627</u>
Excess (deficiency) of revenues over expenditures	<u>389,165</u>	<u>(527,462)</u>	<u>(196,534)</u>
Other financing sources (uses):			
Transfers in		137,643	
Transfers out	(406,629)		(250,000)
Total other financing sources (uses):	<u>(406,629)</u>	<u>137,643</u>	<u>(250,000)</u>
Changes in fund balances	<u>(17,464)</u>	<u>(389,819)</u>	<u>(446,534)</u>
Fund balances, beginning of year	1,681,007	1,164,733	859,218
Fund balances, end of year	<u>\$ 1,663,543</u>	<u>\$ 774,914</u>	<u>\$ 412,684</u>

Total Non-
Major
Governmental
Funds

\$ 788,796
268,415
77,517
349,927
14,003
106,259
1,604,917

464,677
65,504
708,306

321,910
379,351
1,939,748

(334,831)

137,643
(656,629)
(518,986)

(853,817)

3,704,958

\$ 2,851,141

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SPECIAL REVENUE FUNDS

The Special Revenue Funds account for the proceeds of specific revenue sources, other than major capital projects, that are legally restricted to expenditures for specified purposes.

State Seizures and Forfeitures – accounts for state police seizures and forfeitures received by the Town.

Federal Seizures and Forfeitures – accounts for federal police seizures and forfeitures received by the Town.

Bed Tax – accounts for the collection of the 6 percent bed tax revenues which funds economic development and tourism initiatives.

Impound Fee – accounts for the collection of administrative fees for processing vehicles impounded by the Oro Valley police department.

TOWN OF ORO VALLEY, ARIZONA
COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2013

	State Seizures and Forfeitures	Federal Seizures and Forfeitures	Bed Tax
<u>ASSETS</u>			
Cash and cash equivalents	\$ 496,823	\$ 548,472	\$ 680,048
Total assets	\$ 496,823	\$ 548,472	\$ 680,048
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 1,986	\$ 28,819	\$ 30,995
Total liabilities	1,986	28,819	30,995
Fund balances:			
Restricted	494,837	519,653	
Committed			649,053
Total fund balances	494,837	519,653	649,053
 Total liabilities and fund balances	 \$ 496,823	 \$ 548,472	 \$ 680,048

<u>Impound Fee</u>	<u>Totals</u>
\$ 18	\$ 1,725,361
<u>\$ 18</u>	<u>\$ 1,725,361</u>
\$ 18	\$ 61,818
<u>18</u>	<u>61,818</u>
	1,014,490
	<u>649,053</u>
	<u>1,663,543</u>
<u>\$ 18</u>	<u>\$ 1,725,361</u>

TOWN OF ORO VALLEY, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2013

	<u>State Seizures and Forfeitures</u>	<u>Federal Seizures and Forfeitures</u>	<u>Bed Tax</u>
Revenues:			
Sales taxes	\$	\$	\$ 788,796
Fines, forfeitures & penalties	118,711	197,166	
Investment earnings	3,075	3,751	3,476
Other			10,000
Total revenues	<u>121,786</u>	<u>200,917</u>	<u>802,272</u>
Expenditures:			
Current -			
General government	61,118		369,509
Public safety		65,504	
Capital outlay	30,014	209,665	
Total expenditures	<u>91,132</u>	<u>275,169</u>	<u>369,509</u>
Excess (deficiency) of revenues over expenditures	<u>30,654</u>	<u>(74,252)</u>	<u>432,763</u>
Other financing sources (uses):			
Transfers out			(406,629)
Total other financing sources (uses):			<u>(406,629)</u>
Changes in fund balances	<u>30,654</u>	<u>(74,252)</u>	<u>26,134</u>
Fund balances, beginning of year	464,183	593,905	622,919
Fund balances, end of year	<u>\$ 494,837</u>	<u>\$ 519,653</u>	<u>\$ 649,053</u>

<u>Impound Fee</u>	<u>Totals</u>
\$ 34,050	\$ 788,796
	349,927
	10,302
	10,000
<u>34,050</u>	<u>1,159,025</u>
34,050	464,677
	65,504
	239,679
<u>34,050</u>	<u>769,860</u>
	389,165
	(406,629)
	<u>(406,629)</u>
	(17,464)
	1,681,007
<u>\$</u>	<u>\$ 1,663,543</u>

TOWN OF ORO VALLEY, ARIZONA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2013

	State Seizures and Forfeitures		Variance - Positive (Negative)
	Budget	Actual	
Revenues:			
Sales taxes	\$	\$	\$
Fines, forfeitures & penalties	175,000	118,711	(56,289)
Investment earnings		3,075	3,075
Other			
Total revenues	<u>175,000</u>	<u>121,786</u>	<u>(53,214)</u>
Expenditures:			
Current -			
General government	467,924	61,118	406,806
Public safety			
Capital outlay		30,014	(30,014)
Total expenditures	<u>467,924</u>	<u>91,132</u>	<u>376,792</u>
Excess (deficiency) of revenues over expenditures	<u>(292,924)</u>	<u>30,654</u>	<u>323,578</u>
Other financing sources (uses):			
Transfers out			
Total other financing sources (uses):			
Changes in fund balances	<u>(292,924)</u>	<u>30,654</u>	<u>323,578</u>
Fund balances, beginning of year	292,924	464,183	171,259
Fund balances, end of year	<u>\$</u> <u>494,837</u>	<u>\$</u> <u>494,837</u>	<u>\$</u> <u>494,837</u>

Federal Seizures and Forfeitures			Bed Tax		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$ 250,000	\$ 197,166 3,751	\$ (52,834) 3,751	\$ 782,283	\$ 788,796	\$ 6,513
			5,700	3,476	(2,224)
				10,000	10,000
<u>250,000</u>	<u>200,917</u>	<u>(49,083)</u>	<u>787,983</u>	<u>802,272</u>	<u>14,289</u>
832,189	65,504	766,685	790,091	369,509	420,582
	209,665	(209,665)			
<u>832,189</u>	<u>275,169</u>	<u>557,020</u>	<u>790,091</u>	<u>369,509</u>	<u>420,582</u>
<u>(582,189)</u>	<u>(74,252)</u>	<u>507,937</u>	<u>(2,108)</u>	<u>432,763</u>	<u>434,871</u>
			(194,810)	(406,629)	(211,819)
			<u>(194,810)</u>	<u>(406,629)</u>	<u>(211,819)</u>
<u>(582,189)</u>	<u>(74,252)</u>	<u>507,937</u>	<u>(196,918)</u>	<u>26,134</u>	<u>223,052</u>
582,189	593,905	11,716	196,918	622,919	426,001
<u>\$</u>	<u>\$ 519,653</u>	<u>\$ 519,653</u>	<u>\$</u>	<u>\$ 649,053</u>	<u>\$ 649,053</u>

TOWN OF ORO VALLEY, ARIZONA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2013

	Impound Fee		Variance - Positive (Negative)
	Budget	Actual	
Revenues:			
Sales taxes	\$	\$	\$
Fines, forfeitures & penalties	47,503	34,050	(13,453)
Investment earnings			
Other			
Total revenues	47,503	34,050	(13,453)
Expenditures:			
Current -			
General government	47,503	34,050	13,453
Public safety			
Capital outlay			
Total expenditures	47,503	34,050	13,453
Excess (deficiency) of revenues over expenditures			
Other financing sources (uses):			
Transfers out			
Total other financing sources (uses):			
Changes in fund balances			
Fund balances, beginning of year			
Fund balances, end of year	\$	\$	\$

Totals		
Budget	Actual	Variance - Positive (Negative)
\$ 782,283	\$ 788,796	\$ 6,513
472,503	349,927	(122,576)
5,700	10,302	4,602
	10,000	10,000
<u>1,260,486</u>	<u>1,159,025</u>	<u>(101,461)</u>
1,305,518	464,677	840,841
832,189	65,504	766,685
	239,679	(239,679)
<u>2,137,707</u>	<u>769,860</u>	<u>1,367,847</u>
<u>(877,221)</u>	<u>389,165</u>	<u>1,266,386</u>
<u>(194,810)</u>	<u>(406,629)</u>	<u>(211,819)</u>
<u>(194,810)</u>	<u>(406,629)</u>	<u>(211,819)</u>
<u>(1,072,031)</u>	<u>(17,464)</u>	<u>1,054,567</u>
1,072,031	1,681,007	608,976
<u>\$</u>	<u>\$ 1,663,543</u>	<u>\$ 1,663,543</u>

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MUNICIPAL DEBT SERVICE FUND

Municipal Debt Service - to account for the payments of debt service on the Municipal Property Corporation Revenue Bonds of 2003 Refunding, 2005 and 2007 Refunding, and Series 2010 Excise Tax Revenue Obligations.

**TOWN OF ORO VALLEY, ARIZONA
 COMBINING BALANCE SHEET - NON-MAJOR DEBT SERVICE FUNDS
 JUNE 30, 2013**

	Municipal Debt Service	Totals
<u>ASSETS</u>		
Cash and cash equivalents	\$ 774,914	\$ 774,914
Total assets	\$ 774,914	\$ 774,914
Fund balances:		
Restricted	\$ 774,914	\$ 774,914
Total fund balances	774,914	774,914
 Total liabilities and fund balances	 \$ 774,914	 \$ 774,914

TOWN OF ORO VALLEY, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NON-MAJOR DEBT SERVICE FUNDS
YEAR ENDED JUNE 30, 2013

	Municipal Debt Service	Totals
Revenues:		
Intergovernmental	\$ 77,517	\$ 77,517
Investment earnings	23	23
Other	96,259	96,259
Total revenues	173,799	173,799
Expenditures:		
Debt service -		
Principal retirement	321,910	321,910
Interest and fiscal charges	379,351	379,351
Total expenditures	701,261	701,261
Excess (deficiency) of revenues over expenditures	(527,462)	(527,462)
Other financing sources (uses):		
Transfers in	137,643	137,643
Total other financing sources (uses):	137,643	137,643
Changes in fund balances	(389,819)	(389,819)
Fund balances, beginning of year	1,164,733	1,164,733
Fund balances, end of year	\$ 774,914	\$ 774,914

TOWN OF ORO VALLEY, ARIZONA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
ALL DEBT SERVICE FUNDS
YEAR ENDED JUNE 30, 2013

	Municipal Debt Service		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Special assessments	\$	\$	\$
Intergovernmental	83,784	77,517	(6,267)
Investment earnings		23	23
Other	100,000	96,259	(3,741)
Total revenues	<u>183,784</u>	<u>173,799</u>	<u>(9,985)</u>
Expenditures:			
Debt service -			
Principal retirement	321,910	321,910	
Interest and fiscal charges	1,248,238	379,351	868,887
Total expenditures	<u>1,570,148</u>	<u>701,261</u>	<u>868,887</u>
Excess (deficiency) of revenues over expenditures	<u>(1,386,364)</u>	<u>(527,462)</u>	<u>858,902</u>
Other financing sources (uses):			
Transfers in	155,706	137,643	(18,063)
Total other financing sources (uses):	<u>155,706</u>	<u>137,643</u>	<u>(18,063)</u>
Changes in fund balances	<u>(1,230,658)</u>	<u>(389,819)</u>	<u>840,839</u>
Fund balances, beginning of year	1,230,658	1,164,733	(65,925)
Fund balances, end of year	<u>\$</u> <u>774,914</u>	<u>\$</u> <u>774,914</u>	<u>\$</u> <u>774,914</u>

Oracle Road Debt Service			Totals		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$ 367,578	\$ 365,935	\$ (1,643)	\$ 367,578	\$ 365,935	\$ (1,643)
			83,784	77,517	(6,267)
				23	23
			100,000	96,259	(3,741)
<u>367,578</u>	<u>365,935</u>	<u>(1,643)</u>	<u>551,362</u>	<u>539,734</u>	<u>(11,628)</u>
250,000	250,000		571,910	571,910	
121,693	119,378	2,315	1,369,931	498,729	871,202
<u>371,693</u>	<u>369,378</u>	<u>2,315</u>	<u>1,941,841</u>	<u>1,070,639</u>	<u>871,202</u>
(4,115)	(3,443)	672	(1,390,479)	(530,905)	859,574
			155,706	137,643	(18,063)
			<u>155,706</u>	<u>137,643</u>	<u>(18,063)</u>
(4,115)	(3,443)	672	(1,234,773)	(393,262)	841,511
4,115	3,592	(523)	1,234,773	1,168,325	(66,448)
<u>\$</u>	<u>\$ 149</u>	<u>\$ 149</u>	<u>\$</u>	<u>\$ 775,063</u>	<u>\$ 775,063</u>

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CAPITAL PROJECTS FUNDS

Capital Projects Funds are created to account for the purchase or construction of major capital facilities which are not financed by the general, enterprise, or special revenue funds.

General Impact Fees – accounts for the collection of development impact fees charged for new residential and nonresidential growth to be used for future general government facilities, vehicles, equipment, and other necessary general government infrastructure needed as a result of new growth.

Townwide Facilities Projects – accounts for revenues dedicated to constructing solar facilities, improvements to Town parks, and historic properties.

Aquatic Center Project – accounts for construction of expanded Aquatic Center at James D. Krieh Park.

TOWN OF ORO VALLEY, ARIZONA
COMBINING BALANCE SHEET - NON-MAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2013

	General Impact Fees	Townwide Facilities Projects	Totals
<u>ASSETS</u>			
Cash and cash equivalents	\$ 397,674	\$ 50,151	\$ 447,825
Total assets	\$ 397,674	\$ 50,151	\$ 447,825
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$	\$ 35,141	\$ 35,141
Total liabilities	\$	35,141	35,141
Fund balances:			
Restricted	397,674	15,010	412,684
Total fund balances	397,674	15,010	412,684
 Total liabilities and fund balances	 \$ 397,674	 \$ 50,151	 \$ 447,825

TOWN OF ORO VALLEY, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NON-MAJOR CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2013

	General Impact Fees	Townwide Facilities Projects	Totals
Revenues:			
Development impact fees	\$ 268,415	\$	\$ 268,415
Investment earnings	3,678		3,678
Total revenues	<u>272,093</u>		<u>272,093</u>
Expenditures:			
Current -			
Capital outlay	318,986	149,641	468,627
Total expenditures	<u>318,986</u>	<u>149,641</u>	<u>468,627</u>
Excess (deficiency) of revenues over expenditures	<u>(46,893)</u>	<u>(149,641)</u>	<u>(196,534)</u>
Other financing sources (uses):			
Transfers out		(250,000)	(250,000)
Total other financing sources (uses):		<u>(250,000)</u>	<u>(250,000)</u>
Changes in fund balances	<u>(46,893)</u>	<u>(399,641)</u>	<u>(446,534)</u>
Fund balances, beginning of year	444,567	414,651	859,218
Fund balances, end of year	<u>\$ 397,674</u>	<u>\$ 15,010</u>	<u>\$ 412,684</u>

TOWN OF ORO VALLEY, ARIZONA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
ALL CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2013

	Townwide Roadway Development Impact Fees		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Development impact fees	\$ 414,118	\$ 719,927	\$ 305,809
Intergovernmental	5,979,000	2,777,171	(3,201,829)
Contributions and donations			
Investment earnings	1,600	21,143	19,543
Other	18,000	18,375	375
Total revenues	6,412,718	3,536,616	(2,876,102)
Expenditures:			
Current -			
Capital outlay	7,128,581	4,304,175	2,824,406
Total expenditures	7,128,581	4,304,175	2,824,406
Excess (deficiency) of revenues over expenditures	(715,863)	(767,559)	(51,696)
Other financing sources (uses):			
Transfers in			
Transfers out			
Total other financing sources (uses):			
Changes in fund balances	(715,863)	(767,559)	(51,696)
Fund balances, beginning of year	715,863	2,228,996	1,513,133
Fund balances, end of year	\$ 1,461,437	\$ 1,461,437	\$ 1,461,437

General Impact Fees			Townwide Facilities Projects		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$ 179,302	\$ 268,415	\$ 89,113	\$	\$	\$
	3,678	3,678			
<u>179,302</u>	<u>272,093</u>	<u>92,791</u>			
985,765	318,986	666,779	444,061	149,641	294,420
<u>985,765</u>	<u>318,986</u>	<u>666,779</u>	<u>444,061</u>	<u>149,641</u>	<u>294,420</u>
(806,463)	(46,893)	759,570	(444,061)	(149,641)	294,420
				(250,000)	(250,000)
				<u>(250,000)</u>	<u>(250,000)</u>
(806,463)	(46,893)	759,570	(444,061)	(399,641)	44,420
806,463	444,567	(361,896)	444,061	414,651	(29,410)
<u>\$</u>	<u>\$ 397,674</u>	<u>\$ 397,674</u>	<u>\$</u>	<u>\$ 15,010</u>	<u>\$ 15,010</u>

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TOWN OF ORO VALLEY, ARIZONA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
ALL CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2013

	Aquatic Center Project		Variance - Positive (Negative)
	Budget	Actual	
Revenues:			
Development impact fees	\$	\$	\$
Intergovernmental			
Contributions and donations	300,000	27,229	(272,771)
Investment earnings			
Other			
Total revenues	<u>300,000</u>	<u>27,229</u>	<u>(272,771)</u>
Expenditures:			
Current -			
Capital outlay	3,350,000	4,542,923	(1,192,923)
Total expenditures	<u>3,350,000</u>	<u>4,542,923</u>	<u>(1,192,923)</u>
Excess (deficiency) of revenues over expenditures	<u>(3,050,000)</u>	<u>(4,515,694)</u>	<u>(1,465,694)</u>
Other financing sources (uses):			
Transfers in		1,460,000	1,460,000
Transfers out			
Total other financing sources (uses):		<u>1,460,000</u>	<u>1,460,000</u>
Changes in fund balances	<u>(3,050,000)</u>	<u>(3,055,694)</u>	<u>(5,694)</u>
Fund balances, beginning of year	3,050,000	3,122,332	72,332
Fund balances, end of year	<u>\$</u>	<u>\$ 66,638</u>	<u>\$ 66,638</u>

Totals		
Budget	Actual	Variance - Positive (Negative)
\$ 593,420	\$ 988,342	\$ 394,922
5,979,000	2,777,171	(3,201,829)
300,000	27,229	(272,771)
1,600	24,821	23,221
18,000	18,375	375
<u>6,892,020</u>	<u>3,835,938</u>	<u>(3,056,082)</u>
11,908,407	9,315,725	2,592,682
<u>11,908,407</u>	<u>9,315,725</u>	<u>2,592,682</u>
<u>(5,016,387)</u>	<u>(5,479,787)</u>	<u>(463,400)</u>
	1,460,000	1,460,000
	(250,000)	(250,000)
	<u>1,210,000</u>	<u>1,210,000</u>
<u>(5,016,387)</u>	<u>(4,269,787)</u>	<u>746,600</u>
5,016,387	6,210,546	1,194,159
<u>\$</u>	<u>\$ 1,940,759</u>	<u>\$ 1,940,759</u>

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INTERNAL SERVICE FUNDS

Self Insurance - to account for the financial activity associated with the Town's self-insurance program for employee health care.

Fleet Maintenance - to account for the Town's fleet maintenance services.

**TOWN OF ORO VALLEY, ARIZONA
 COMBINING STATEMENT OF NET POSITION -
 ALL INTERNAL SERVICE FUNDS
 JUNE 30, 2013**

	<u>Fleet Maintenance</u>	<u>Self Insurance</u>	<u>Totals</u>
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	\$ 32,294	\$ 668,786	\$ 701,080
Total current assets	<u>32,294</u>	<u>668,786</u>	<u>701,080</u>
Total assets	<u>32,294</u>	<u>668,786</u>	<u>701,080</u>
 <u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	32,294	14,250	46,544
Claims payable		<u>87,134</u>	<u>87,134</u>
Total current liabilities	<u>32,294</u>	<u>101,384</u>	<u>133,678</u>
Total liabilities	<u>32,294</u>	<u>101,384</u>	<u>133,678</u>
 <u>NET POSITION</u>			
Unrestricted		<u>567,402</u>	<u>567,402</u>
Total net position	<u>\$</u>	<u>\$ 567,402</u>	<u>\$ 567,402</u>

TOWN OF ORO VALLEY, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -
ALL INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Fleet Maintenance	Self Insurance	Totals
Operating revenues:			
Charges for services	\$ 638,787	\$	\$ 638,787
Self insurance premiums		2,157,847	2,157,847
Total operating revenues	<u>638,787</u>	<u>2,157,847</u>	<u>2,796,634</u>
Operating expenses:			
Costs of sales and services	638,787		638,787
Claims payments		1,402,981	1,402,981
Administrative fees		57,000	57,000
Reinsurance premiums		430,464	430,464
Total operating expenses	<u>638,787</u>	<u>1,890,445</u>	<u>2,529,232</u>
Operating income (loss)		<u>267,402</u>	<u>267,402</u>
Income (loss) before transfers		<u>267,402</u>	<u>267,402</u>
Transfers in		<u>300,000</u>	<u>300,000</u>
Changes in net position		<u>567,402</u>	<u>567,402</u>
Total net position, beginning of year			
Total net position, end of year	<u>\$</u>	<u>\$ 567,402</u>	<u>\$ 567,402</u>

**TOWN OF ORO VALLEY, ARIZONA
COMBINING STATEMENT OF CASH FLOWS
ALL INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Fleet Maintenance</u>	<u>Self Insurance</u>	<u>Total</u>
<u>Increase (Decrease) in Cash and Cash Equivalents</u>			
Cash flows from operating activities:			
Cash received from customers	\$ 638,787	\$	\$ 638,787
Cash received from premiums		2,157,847	2,157,847
Cash payments to suppliers for goods and services	(550,655)	(473,214)	(1,023,869)
Cash payments to employees for services	(81,593)		(81,593)
Cash payments for claims		(1,315,847)	(1,315,847)
Net cash provided by operating activities	<u>6,539</u>	<u>368,786</u>	<u>375,325</u>
Cash flows from noncapital and related financing activities:			
Interfund transfers		300,000	300,000
Net cash provided by noncapital financing activities		<u>300,000</u>	<u>300,000</u>
Net increase in cash and cash equivalents	<u>6,539</u>	<u>668,786</u>	<u>675,325</u>
Cash and cash equivalents, beginning of year	<u>25,755</u>		<u>25,755</u>
Cash and cash equivalents, end of year	<u>\$ 32,294</u>	<u>\$ 668,786</u>	<u>\$ 701,080</u>
<u>Reconciliation of Operating Income to</u>			
<u>Net Cash Provided by Operating Activities</u>			
Operating income		\$ 267,402	\$ 267,402
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:			
Change in assets and liabilities:			
Increase in accounts payable	6,539	14,250	20,789
Increase in claims payable		87,134	87,134
Total adjustments	<u>6,539</u>	<u>101,384</u>	<u>107,923</u>
Net cash provided by operating activities	<u>\$ 6,539</u>	<u>\$ 368,786</u>	<u>\$ 375,325</u>

STATISTICAL SECTION

The statistical section presents financial statement trends as well as detailed financial and operational information not available elsewhere in the report. The statistical section is intended to enhance the reader's understanding of the information presented in the financial statements, notes to the financial statements, and other supplementary information presented in this report. The statistical section is comprised of the five categories of statistical information presented below.

Financial Trends

These schedules contain information on financial trends to help the reader understand how the Town's financial position and financial activities have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the factors affecting the Town's ability to generate property revenue.

Debt Capacity

These schedules present information to help the reader evaluate the Town's current levels of outstanding debt as well as assess the Town's ability to make debt payments and/or issue additional debt in the future.

Demographic and Economic Information

These schedules present various demographic and economic indicators to help the reader understand the environment in which the Town's financial activities take place and to help make comparisons with other municipalities.

Operating Information

These schedules contain information about the Town's operations and various resources to help the reader draw conclusions as to how the Town's financial information relates to the services provided by the Town.

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TOWN OF ORO VALLEY, ARIZONA
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental activities										
Net investment in capital assets	\$ 30,546,282	\$ 92,541,223	\$ 107,413,486	\$ 106,644,847	\$ 115,177,344	\$ 120,515,962	\$ 127,712,057	\$ 132,956,156	\$ 135,336,862	\$ 134,512,094
Restricted	3,958,033	15,360,660	8,919,398	8,326,731	14,072,781	7,537,331	9,580,610	9,048,505	11,454,390	3,730,312
Unrestricted	19,248,712	15,394,707	15,063,081	23,571,109	26,698,611	26,135,593	15,979,093	10,588,160	10,808,596	18,901,112
Total governmental activities net position	\$ 53,753,027	\$ 123,296,590	\$ 131,395,965	\$ 138,542,687	\$ 155,948,736	\$ 154,188,886	\$ 153,271,760	\$ 152,592,821	\$ 157,599,848	\$ 157,143,518
Business-type activities										
Net investment in capital assets	\$ (14,913,572)	\$ 546,602	\$ 7,240,791	\$ 15,534,043	\$ 21,274,023	\$ 28,212,750	\$ 31,383,715	\$ 40,005,568	\$ 45,669,488	\$ 48,802,267
Restricted	3,492,488	2,310,980	2,331,001	-	-	-	-	-	-	-
Unrestricted	33,107,781	24,499,050	22,958,536	23,252,747	24,651,948	24,393,984	24,404,427	20,371,225	19,067,780	19,501,676
Total business-type activities net position	\$ 21,686,697	\$ 27,356,632	\$ 32,530,328	\$ 38,786,790	\$ 45,925,971	\$ 52,606,734	\$ 55,788,142	\$ 60,376,793	\$ 64,737,268	\$ 68,303,943
Primary government										
Net investment in capital assets	\$ 15,632,710	\$ 93,087,825	\$ 114,654,277	\$ 122,178,890	\$ 136,451,367	\$ 148,728,712	\$ 159,095,772	\$ 172,961,724	\$ 181,006,350	\$ 183,314,361
Restricted	7,450,521	17,671,640	11,250,399	8,326,731	14,072,781	7,537,331	9,580,610	9,048,505	11,454,390	3,730,312
Unrestricted	52,356,493	39,893,757	38,021,617	46,823,856	51,350,559	50,529,577	40,383,520	30,959,385	29,876,376	38,402,788
Total primary government net position	\$ 75,439,724	\$ 150,653,222	\$ 163,926,293	\$ 177,329,477	\$ 201,874,707	\$ 206,795,620	\$ 209,059,902	\$ 212,969,614	\$ 222,337,116	\$ 225,447,461

Source: Town of Oro Valley Finance Department

TOWN OF ORO VALLEY, ARIZONA
 CHANGES IN NET POSITION
 LAST TEN FISCAL YEARS
 (ACCRUAL BASIS OF ACCOUNTING)
 (UNAUDITED)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
Governmental activities:										
General government	\$ 5,971,319	\$ 5,997,864	\$ 7,162,732	\$ 7,529,245	\$ 9,080,766	\$ 9,936,639	\$ 9,950,053	\$ 9,887,523	\$ 9,961,376	\$ 9,861,131
Public Safety	9,520,219	10,309,453	11,155,542	12,352,671	14,347,250	15,019,980	13,730,593	12,509,201	12,349,948	12,770,224
Highways and streets	2,850,172	4,789,234	5,732,026	7,757,276	7,292,972	9,481,040	9,353,689	8,895,987	9,339,062	9,255,004
Culture and recreation	2,566,173	2,631,306	3,014,341	3,375,314	3,644,973	3,806,555	3,527,949	3,375,281	3,227,895	2,783,633
Interest on long-term debt	456,107	653,331	805,123	996,336	987,074	954,645	1,767,155	430,570	654,262	522,917
Total governmental activities/expenses	<u>21,363,990</u>	<u>24,381,188</u>	<u>27,869,764</u>	<u>32,010,842</u>	<u>35,353,035</u>	<u>39,198,859</u>	<u>38,329,439</u>	<u>35,098,562</u>	<u>35,532,543</u>	<u>35,192,909</u>
Business-type activities:										
Water	8,957,988	9,642,592	10,438,869	11,446,958	12,676,275	13,495,124	12,830,137	12,527,851	11,984,829	13,047,373
Stormwater drainage	45,551	271,469	111,695	74,235	177,673	494,166	486,994	586,006	636,966	983,975
Total business-type activities expenses	<u>9,003,539</u>	<u>9,914,061</u>	<u>10,550,564</u>	<u>11,521,193</u>	<u>12,853,948</u>	<u>13,989,290</u>	<u>13,317,131</u>	<u>13,113,857</u>	<u>12,621,795</u>	<u>14,031,348</u>
Total primary government expenses	<u>\$ 30,367,529</u>	<u>\$ 34,295,249</u>	<u>\$ 38,420,328</u>	<u>\$ 43,532,035</u>	<u>\$ 48,206,983</u>	<u>\$ 53,188,149</u>	<u>\$ 51,646,570</u>	<u>\$ 48,212,419</u>	<u>\$ 48,154,338</u>	<u>\$ 49,224,257</u>
Program Revenues										
Governmental activities:										
Fees, Fines and Charges for Services:										
General government	\$ 3,902,024	\$ 3,784,049	\$ 4,013,368	\$ 3,291,983	\$ 3,830,060	\$ 2,835,884	\$ 2,261,815	\$ 2,455,182	\$ 3,079,526	\$ 3,740,046
Public Safety	-	-	-	229,546	69,256	83,279	28,785	33,976	33,109	45,346
Highways and streets	170,543	396,602	183,842	122,124	211,088	119,847	137,436	400,977	329,420	1,052,581
Culture and recreation	-	-	-	121,358	73,149	110,857	119,273	126,290	82,832	169,965
Operating grants and contributions	3,675,674	4,216,642	4,558,864	4,893,869	5,619,003	5,392,667	4,728,050	4,887,283	5,247,844	5,318,097
Capital grants and contributions	13,437,638	13,834,121	3,994,640	8,321,691	10,264,829	1,781,571	6,514,602	8,980,239	7,107,063	2,920,335
Total governmental activities program revenues	<u>21,185,879</u>	<u>22,231,414</u>	<u>12,750,714</u>	<u>16,980,571</u>	<u>20,067,385</u>	<u>10,324,105</u>	<u>13,789,961</u>	<u>16,883,947</u>	<u>15,879,794</u>	<u>13,246,370</u>
Business-type activities:										
Charges for services:										
Water	11,917,546	11,951,413	14,038,391	13,617,336	16,803,950	16,098,086	15,136,784	15,119,065	15,817,345	16,732,600
Stormwater Utility	-	14,710	21,401	125	357,602	746,655	927,238	888,391	752,212	813,400
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions	840,096	2,934,747	628,501	3,066,170	3,567,083	3,697,229	362,273	1,655,307	245,607	48,871
Total business-type activities program revenues	<u>12,757,642</u>	<u>14,900,870</u>	<u>14,688,293</u>	<u>16,683,631</u>	<u>20,728,635</u>	<u>20,541,970</u>	<u>16,426,295</u>	<u>17,662,763</u>	<u>16,815,164</u>	<u>17,594,871</u>
Total primary government program revenues	<u>\$ 33,943,521</u>	<u>\$ 37,132,284</u>	<u>\$ 27,439,007</u>	<u>\$ 33,664,202</u>	<u>\$ 40,796,020</u>	<u>\$ 30,866,075</u>	<u>\$ 30,216,256</u>	<u>\$ 34,546,710</u>	<u>\$ 32,694,958</u>	<u>\$ 30,841,241</u>

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Net (Expense)/Revenues										
Governmental activities	\$ (178,111)	\$ (2,149,774)	\$ (15,119,050)	\$ (15,030,271)	\$ (15,285,650)	\$ (28,874,754)	\$ (24,539,478)	\$ (18,214,615)	\$ (19,652,749)	\$ (21,946,539)
Business-type activities	3,754,103	4,986,809	4,137,729	5,162,438	7,874,687	6,552,680	3,109,164	4,548,906	4,193,369	3,563,523
Total primary government net expenses	<u>\$ 3,575,992</u>	<u>\$ 2,837,035</u>	<u>\$ (10,981,321)</u>	<u>\$ (9,867,833)</u>	<u>\$ (7,410,963)</u>	<u>\$ (22,322,074)</u>	<u>\$ (21,430,314)</u>	<u>\$ (13,665,709)</u>	<u>\$ (15,459,380)</u>	<u>\$ (18,383,016)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Sales taxes	\$ 7,924,855	\$ 9,536,791	\$ 12,455,609	\$ 16,873,630	\$ 17,168,998	\$ 15,376,408	\$ 12,970,865	\$ 11,572,148	\$ 12,799,678	\$ 14,241,065
Franchise taxes	371,697	402,482	435,428	478,175	516,652	506,685	509,285	514,814	525,427	539,477
Impact fees*	1,189,848	1,547,819	1,098,977	1,038,217	910,741	441,020	584,113	-	-	-
Unrestricted state revenue sharing	2,845,866	2,935,615	3,343,471	4,473,305	5,544,763	5,886,132	5,086,953	4,520,935	3,461,359	9,048,365
Unrestricted state sales tax revenue sharing	2,686,614	2,958,376	3,432,007	3,744,864	3,621,016	3,134,789	2,891,386	2,569,666	3,204,612	-
Unrestricted auto lieu tax revenue sharing	1,374,464	1,395,094	1,541,560	1,726,149	1,738,875	1,655,875	1,484,125	1,318,989	1,479,094	-
Special assessments	-	5,433,301	-	-	-	-	-	-	-	-
Investment earnings (loss)	281,518	557,238	991,151	1,471,641	1,590,654	113,995	95,625	39,124	189,606	265,787
Special item - Capital asset conveyance	-	-	-	-	-	-	-	-	-	(2,606,804)
Transfers	(64,000)	(91,194)	(79,778)	69,813	1,600,000	-	-	-	-	2,319
Total governmental activities	<u>16,610,862</u>	<u>24,675,522</u>	<u>23,218,425</u>	<u>29,875,794</u>	<u>32,691,699</u>	<u>27,114,904</u>	<u>23,622,352</u>	<u>20,535,676</u>	<u>21,659,776</u>	<u>21,490,209</u>
Business-type activities:										
Investment earnings (loss)	285,118	591,932	956,189	1,163,837	864,494	128,083	72,244	39,745	167,106	5,471
Transfers	64,000	91,194	79,778	(69,813)	(1,600,000)	-	-	-	-	(2,319)
Total business-type activities	<u>349,118</u>	<u>683,126</u>	<u>1,035,967</u>	<u>1,094,024</u>	<u>(735,506)</u>	<u>128,083</u>	<u>72,244</u>	<u>39,745</u>	<u>167,106</u>	<u>3,152</u>
Total primary government	<u>\$ 16,959,980</u>	<u>\$ 25,358,648</u>	<u>\$ 24,254,392</u>	<u>\$ 30,969,818</u>	<u>\$ 31,956,193</u>	<u>\$ 27,242,987</u>	<u>\$ 23,694,596</u>	<u>\$ 20,575,421</u>	<u>\$ 21,826,882</u>	<u>\$ 21,493,361</u>
Change in Net Position										
Governmental activities	\$ 16,432,751	\$ 22,525,748	\$ 8,099,375	\$ 14,845,523	\$ 17,406,049	\$ (1,759,850)	\$ (917,126)	\$ 2,321,061	\$ 2,007,027	\$ (456,330)
Business-type activities	4,103,221	5,669,935	5,173,696	6,256,462	7,139,181	6,680,763	3,181,408	4,588,651	4,360,475	3,566,675
Total primary government	<u>\$ 20,535,972</u>	<u>\$ 28,195,683</u>	<u>\$ 13,273,071</u>	<u>\$ 21,101,985</u>	<u>\$ 24,545,230</u>	<u>\$ 4,920,913</u>	<u>\$ 2,264,282</u>	<u>\$ 6,909,712</u>	<u>\$ 6,367,502</u>	<u>\$ 3,110,345</u>

Source: Town of Oro Valley Finance Department

* Impact fees in fiscal year 2011 are now presented in program revenues.

TOWN OF ORO VALLEY, ARIZONA
 FUND BALANCES OF GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS
 (MODIFIED ACCRUAL BASIS OF ACCOUNTING)
 (UNAUDITED)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Fund										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	1,769,333	1,608,035	1,608,035
Unassigned	-	-	-	-	-	-	-	9,237,805	9,793,614	11,529,070
Reserved	7,172	112	7,267	-	-	-	-	-	-	-
Unreserved	9,377,367	11,744,160	14,356,224	18,477,706	16,666,388	15,940,438	11,904,429	-	-	-
Total general fund	<u>\$ 9,384,539</u>	<u>\$ 11,744,272</u>	<u>\$ 14,363,491</u>	<u>\$ 18,477,706</u>	<u>\$ 16,666,388</u>	<u>\$ 15,940,438</u>	<u>\$ 11,904,429</u>	<u>\$ 11,007,138</u>	<u>\$ 11,401,649</u>	<u>\$ 13,137,105</u>
All Other Governmental Funds										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-	-	-	9,128,505	11,454,390	3,730,312
Committed	-	-	-	-	-	-	-	840,704	622,919	4,166,818
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-
Reserved	17,912	36,076	80,624	-	-	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	2,720,472	3,856,925	4,439,573	4,891,095	5,534,192	5,887,082	5,868,523	-	-	-
Capital projects funds	10,573,180	10,972,912	4,985,836	4,520,718	15,396,024	9,071,398	3,933,044	-	-	-
Debt service funds	314,301	403,332	280,055	245,208	263,478	158,816	1,929,635	-	-	-
Total all other governmental funds	<u>\$ 13,625,865</u>	<u>\$ 15,269,245</u>	<u>\$ 9,786,088</u>	<u>\$ 9,657,021</u>	<u>\$ 21,193,694</u>	<u>\$ 15,117,296</u>	<u>\$ 11,731,202</u>	<u>\$ 9,969,209</u>	<u>\$ 12,077,309</u>	<u>\$ 7,897,130</u>

Source: Town of Oro Valley Finance Department

Note: The provisions of the Governmental Accounting Standards Board (GASB) Statement No. 54 were adopted in fiscal year 2011. The standard replaces the previous reserved and unreserved fund balance categories with the following five fund balance classifications; nonspendable, restricted, committed, assigned, and unassigned fund balance.

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TOWN OF ORO VALLEY, ARIZONA
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS
 (MODIFIED ACCRUAL BASIS OF ACCOUNTING)
 (UNAUDITED)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
Taxes	\$ 8,296,552	\$ 9,939,273	\$ 12,891,037	\$ 17,351,805	\$ 17,685,650	\$ 15,883,093	\$ 13,480,150	\$ 12,086,962	\$ 13,325,105	\$ 14,780,542
Intergovernmental	23,990,005	25,339,848	16,773,215	18,405,713	21,863,875	17,616,213	17,940,749	18,040,619	19,723,086	16,817,756
Fines and forfeitures	463,150	326,427	462,246	429,458	391,921	413,720	612,031	560,941	895,820	551,962
Licenses and permits	2,536,576	2,524,484	2,433,264	2,368,851	2,792,684	1,507,930	1,108,411	1,059,309	1,185,862	1,813,947
Charges for services	823,287	880,582	942,676	1,026,921	1,040,694	1,066,376	965,455	926,135	1,209,814	1,630,238
Contributions and donations	30,251	-	97,327	19,171	249,999	1,000	59	15,000	995	27,229
Special assessments	-	1,547,819	-	189,820	193,023	367,539	368,152	365,811	366,028	365,935
Impact fees	1,189,848	1,488,301	1,098,977	1,038,217	910,741	441,020	584,113	481,619	417,742	988,342
Investment earnings	281,518	557,238	991,151	1,471,641	1,590,654	113,995	95,625	39,124	189,606	265,787
Other revenues	229,411	458,034	325,428	135,261	555,790	233,123	216,030	297,109	460,512	349,326
Total revenues	\$ 37,840,598	\$ 43,062,006	\$ 36,015,321	\$ 42,436,858	\$ 47,275,031	\$ 37,644,009	\$ 35,370,775	\$ 33,872,629	\$ 37,774,570	\$ 37,591,064
Expenditures										
General government	5,800,477	5,676,217	9,988,956	7,019,030	8,767,496	9,586,029	9,452,778	9,848,393	9,212,866	9,289,771
Public safety	9,426,215	10,089,128	11,636,915	11,808,799	13,549,170	14,289,423	12,979,291	11,928,567	11,993,864	12,342,349
Highways and streets	17,193,322	21,727,223	13,773,561	3,768,851	4,107,871	3,848,725	3,475,556	3,288,349	3,191,654	3,513,479
Culture and recreation	2,540,949	2,640,777	3,868,249	3,109,228	3,324,066	3,416,305	3,157,369	3,031,520	2,954,549	2,468,129
Capital Outlay	-	-	-	10,662,190	13,090,313	11,332,914	3,189,765	7,014,659	6,929,834	11,053,739
Debt Service										
Principal retirement	541,290	2,559,190	2,856,595	1,077,813	3,403,102	938,900	3,400,877	3,459,970	3,052,953	571,910
Interest and fiscal charges	426,472	589,725	731,358	921,205	907,658	1,034,061	831,580	470,578	554,274	498,729
Payment to bond escrow agent	-	-	-	-	-	-	6,279,112	-	-	-
Bond Issuance costs	93,415	251,327	107,897	28,868	-	-	26,550	-	75,800	-
Total expenditures	36,022,140	43,533,587	42,963,531	38,395,984	47,149,676	44,446,357	42,792,878	39,042,036	37,965,794	39,738,106
Excess of revenues over (under) expenditures	\$ 1,911,873	\$ (220,254)	\$ (6,840,313)	\$ 4,069,742	\$ 125,355	\$ (6,802,348)	\$ (7,395,553)	\$ (5,169,407)	\$ (191,224)	\$ (2,147,042)

Other Financing Sources (Uses)	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Premium on bonds issued	-	-	-	25,719	-	-	-	-	113,835	-
Proceeds from loan	-	-	-	-	-	-	-	-	-	-
Issuance of long-term loan payable	5,000,000	4,030,033	-	-	8,000,000	-	-	-	-	-
Issuance of refunding debt	5,572,700	-	-	1,389,180	-	-	-	-	-	-
Payment to bond escrow agent	(5,478,016)	-	-	(1,540,438)	-	-	-	-	-	-
Issuance of long-term debt	-	-	4,164,050	-	-	-	-	2,445,000	2,580,000	-
Transfers in	1,182,168	1,105,422	1,248,569	2,927,754	8,447,951	1,950,898	10,012,679	860,143	1,003,666	1,704,272
Transfers out	(1,246,168)	(1,196,616)	(1,328,347)	(2,857,941)	(6,847,951)	(1,950,898)	(10,012,679)	(795,020)	(1,003,666)	(2,001,953)
Total other financing sources (uses)	5,030,684	3,938,839	4,084,272	(55,726)	9,600,000	-	-	2,510,123	2,693,835	(297,681)
Net change in fund balances	\$ 6,942,557	\$ 3,718,585	\$ (2,756,041)	\$ 4,014,016	\$ 9,725,355	\$ (6,802,348)	\$ (7,395,553)	\$ (2,659,284)	\$ 2,502,611	\$ (2,444,723)
Debt service as a percentage of noncapital expenditures	4.62%	13.05%	13.02%	7.17%	12.51%	5.88%	10.60%	12.36%	11.55%	3.76%

Source: Town of Oro Valley Finance Department

TOWN OF ORO VALLEY, ARIZONA
 PRINCIPAL EMPLOYERS
 CURRENT FISCAL YEAR AND FISCAL YEAR NINE YEARS PRIOR
 (UNAUDITED)

Employer	2013			2004		
	Employees	Rank	Percentage of Total Town Employment	Employees	Rank	Percentage of Total Town Employment
Ventana Medical Systems	1,500	1	8.38%	413	2	2.37%
Oro Valley Hospital	616	2	3.44%			
Hilton El Conquistador Golf & Tennis Resort	460	3	2.57%	425	1	2.44%
Amphitheater Public Schools	424	4	2.37%	140	7	0.80%
Town of Oro Valley	321	5	1.79%	334	3	1.92%
Walmart Supercenter	249	6	1.39%			
Fry's Food & Drug Store	246	7	1.37%	295	4	1.69%
Splendido at Rancho Vistoso	176	8	0.98%			
Kohls	125	9	0.70%			
Target	120	10	0.67%	150	6	0.86%
Hilton El Conquistador Country Club				260	5	1.49%
Long Realty				130	8	0.71%
Home Depot				124	9	0.67%
Stone Canyon Golf/Golf Club at Vistoso				117	10	0.67%
Total	4,237		23.67%	2,388		13.62%

Source: Principal Employers Arizona Workforce Informer

TOWN OF ORO VALLEY, ARIZONA
 PRINCIPAL SALES TAXPAYERS
 CURRENT FISCAL YEAR AND FISCAL YEAR EIGHT YEARS PRIOR
 (UNAUDITED)

Taxpayer	Business Type	Fiscal Year 2013			Fiscal Year 2005		
		Sales Tax Payments	Rank	Percentage of Total Sales Tax Payments	Sales Tax Payments	Rank	Percentage of Total Sales Tax Payments
Taxpayer A	Utility	\$ 1,762,418	1	12.43%			
Taxpayer B	Retail Trade	839,695	2	5.92%			
Taxpayer C	Retail Trade	588,990	3	4.15%	\$ 584,705	3	6.27%
Taxpayer D	Utility	468,554	4	3.30%			
Taxpayer E	Construction	461,178	5	3.25%			
Taxpayer F	Utility	403,076	6	2.84%			
Taxpayer G	Retail Trade	401,374	7	2.83%	532,775	4	5.72%
Taxpayer H	Retail Trade	325,141	8	2.29%			
Taxpayer I	Accomodation	303,832	9	2.14%	1,086,800	1	11.66%
Taxpayer J	Construction	301,394	10	2.13%			
Taxpayer K	Retail Trade				221,823	5	2.38%
Taxpayer L	Construction				709,681	2	7.61%
Taxpayer M	Construction				214,447	6	2.30%
Taxpayer N	Construction				179,052	7	1.92%
Taxpayer O	Retail Trade				162,693	8	1.75%
Taxpayer P	Construction				157,634	9	1.69%
Taxpayer Q	Construction				123,461	10	1.32%
Total		<u>\$ 5,855,652</u>		<u>41.30%</u>	<u>\$ 3,973,071</u>		<u>42.63%</u>

Source: Arizona Department of Revenue

Note: 2005 is the first fiscal year of available data of sales tax payments by business type

TOWN OF ORO VALLEY, ARIZONA
TAXABLE SALES BY CATEGORY
LAST TEN FISCAL YEARS
(UNAUDITED)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Construction	\$ 3,014	\$ 3,594	\$ 5,602	\$ 6,895	\$ 7,038	\$ 5,143	\$ 2,110	\$ 1,707	\$ 1,738	\$ 2,842
Manufacturing	29	137	165	181	280	230	230	266	258	258
Transportation, Warehousing, Communications & Utilities	50	116	91	226	1,279	1,632	1,554	1,534	2,450	2,785
Wholesale Trade	46	54	56	58	69	54	75	93	106	110
Retail Trade	2,722	2,942	3,229	3,665	4,017	4,264	4,544	4,720	4,925	5,153
Restaurants, Bars & Lodging	1,556	1,888	2,392	2,720	2,775	2,333	2,283	2,314	2,314	2,164
Finance, Insurance & Real Estate	101	142	155	859	496	324	381	324	333	335
Services	393	379	262	313	312	322	378	417	456	456
All Other	(13)	68	197	167	337	896	627	102	103	75
Cable Franchise	372	402	435	478	517	507	509	515	525	540
Total	<u>\$ 8,270</u>	<u>\$ 9,722</u>	<u>\$ 12,584</u>	<u>\$ 15,562</u>	<u>\$ 17,120</u>	<u>\$ 15,705</u>	<u>\$ 12,691</u>	<u>\$ 11,992</u>	<u>\$ 13,208</u>	<u>\$ 14,718</u>
Town sales tax rate*	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%

Source: Arizona Department of Revenue

*Note:

- 1% Additional Bed Tax Effective May 1, 1990
- 3% Additional Bed Tax Effective September 1, 2001
- 4% Construction Sales Tax Effective May 1, 2004
- 6% Additional Bed Tax Effective January 1, 2006
- 2% Utility Sales Tax Effective April 1, 2007
- 2% Additional Utility Sales Tax Effective August 1, 2011

TOWN OF ORO VALLEY, ARIZONA
 DIRECT AND OVERLAPPING SALES TAX RATES
 LAST TEN FISCAL YEARS
 (UNAUDITED)

Fiscal Year	Town of Oro Valley Sales Tax	Town of Oro Valley Bed Tax	Town of Oro Valley Construction Sales Tax	Town of Oro Valley Utility Sales Tax	Pima County
2004	2.00%	3.00%	4.00%	0.00%	5.60%
2005	2.00%	3.00%	4.00%	0.00%	5.60%
2006	2.00%	6.00%	4.00%	0.00%	6.10%
2007	2.00%	6.00%	4.00%	2.00%	6.10%
2008	2.00%	6.00%	4.00%	2.00%	6.10%
2009	2.00%	6.00%	4.00%	2.00%	6.10%
2010	2.00%	6.00%	4.00%	2.00%	7.10%
2011	2.00%	6.00%	4.00%	2.00%	7.10%
2012	2.00%	6.00%	4.00%	4.00%	7.10%
2013	2.00%	6.00%	4.00%	4.00%	6.10%

Source: Arizona Department of Revenue

TOWN OF ORO VALLEY, ARIZONA
RATIO OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year	Governmental Activities					Business-Type Activities				Total Primary Government	Percentage of Personal Income	Per Capita
	Capital Leases	Certificates of Participation	Loan Payable	Excise Tax Bonds	Special Assessment Bonds	Revenue Bonds	Notes Payable	Capital Leases	Loan Payable			
2004	-	610,000	6,716,000	9,734,132	-	65,625,010	-	-	-	82,685,142	6.08%	2,193
2005	-	420,000	4,803,100	9,413,909	3,945,000	64,222,360	-	-	-	82,804,369	5.67%	2,106
2006	-	215,000	2,604,143	13,173,254	3,945,000	64,437,008	-	-	-	84,374,405	5.48%	2,098
2007	-	-	2,500,000	12,891,148	3,760,000	61,568,852	-	-	-	80,720,000	4.81%	1,897
2008	-	-	8,000,000	12,183,046	3,565,000	59,586,954	-	-	5,731,766	89,066,766	5.02%	2,040
2009	-	-	8,000,000	11,449,146	3,360,000	57,575,854	-	107,046	5,788,122	86,280,168	4.72%	1,975
2010	-	-	5,513,133	4,939,750	3,145,000	52,305,500	-	123,883	6,305,650	72,332,916	3.86%	1,662
2011	-	-	2,513,133	7,149,780	2,920,000	49,803,970	-	35,392	5,473,096	67,895,371	3.73%	1,656
2012	-	-	-	9,485,968	2,685,000	45,988,331	-	-	5,893,122	64,052,421	3.85%	1,550
2013	-	-	-	9,155,743	2,435,000	43,349,121	-	185,307	5,575,041	60,700,212	3.59%	1,409

Source: Town of Oro Valley Finance Department and U.S. Census Bureau

TOWN OF ORO VALLEY, ARIZONA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
JUNE 30, 2013
(UNAUDITED)

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Pima County	\$ 1,349,792,000	7.25%	\$ 97,859,920
Pima County Community College District	1,355,000	7.25%	98,238
Amphitheater Unified School District No. 10	75,135,000	18.15%	<u>13,637,003</u>
Total Overlapping			111,595,160
Town of Oro Valley	11,590,743	100.00%	<u>11,590,743</u>
Total Direct			11,590,743
Total direct and overlapping debt			<u><u>\$ 123,185,903</u></u>

Source: Pima County, Pima County Community College District and Amphitheater Unified School District No. 10.
(1) Proportion applicable to the Town of Oro Valley, Arizona, is computed on the ratio of secondary assessed valuation for 2012-13.

TOWN OF ORO VALLEY, ARIZONA
 LEGAL DEBT MARGIN INFORMATION
 LAST TEN FISCAL YEARS
 (UNAUDITED)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Debt Limit	\$ 84,941,970	\$ 93,101,081	\$ 108,807,180	\$ 120,435,053	\$ 151,537,994	\$ 178,543,952	\$ 180,420,396	\$ 174,800,436	\$ 163,628,543	\$ 154,118,112
Total net debt applicable to limit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Legal debt margin	<u>\$ 84,941,970</u>	<u>\$ 93,101,081</u>	<u>\$ 108,807,180</u>	<u>\$ 120,435,053</u>	<u>\$ 151,537,994</u>	<u>\$ 178,543,952</u>	<u>\$ 180,420,396</u>	<u>\$ 174,800,436</u>	<u>\$ 163,628,543</u>	<u>\$ 154,118,112</u>
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Source: Town of Oro Valley Finance Department

TOWN OF ORO VALLEY
 CALCULATION OF LEGAL DEBT MARGIN
 JUNE 30, 2013
 (UNAUDITED)

Net secondary assessed valuation		\$ 592,761,968
<u>Water, Sewer, Light, Parks, Open Space and Recreational Facility Bonds</u>		
Debt limit - 20% of secondary net assessed valuation		\$ 118,552,394
Debt applicable to limit		
General obligation bonds outstanding	\$ -	
Less amount set aside for repayment of debt	-	
Net debt applicable to limit		-
20% legal debt margin		\$ 118,552,394
<u>All other general obligation bonds</u>		
Debt Limit - 6% of secondary net assessed valuation		35,565,718
Debt applicable to limit		
General obligation bonds outstanding	\$ -	
Less amount set aside for repayment of debt	-	
Net debt applicable to limit		-
All other general obligation bonds debt margin		35,565,718
Total legal debt margin		\$ 154,118,112

Source: Pima County Assessor's Office

TOWN OF ORO VALLEY, ARIZONA
 PLEDGED-REVENUE COVERAGE
 LAST TEN FISCAL YEARS
 (UNAUDITED)

Water Utility Revenue Bonds

Fiscal Year	Gross Revenues	Debt Service			Coverage
		Principal	Interest	Total	
2004	12,202,664	1,478,710	2,650,195	4,128,905	2.96
2005	12,544,928	1,473,710	2,949,409	4,423,119	2.84
2006	14,989,621	1,907,362	2,888,226	4,795,588	3.13
2007	14,810,173	2,336,330	2,552,081	4,888,411	3.03
2008	17,668,212	1,981,898	2,452,583	4,434,481	3.98
2009	16,223,544	2,011,100	2,784,444	4,795,544	3.38
2010	15,207,113	5,270,354	2,689,427	7,959,781	1.91
2011	15,359,681	2,501,530	2,505,960	5,007,490	3.07
2012	15,983,999	2,370,180	2,190,894	4,561,074	3.50
2013	16,732,600	2,536,840	1,732,008	4,268,848	3.92

Governmental Revenue Bonds

Fiscal Year	Gross Revenues	Debt Service			Coverage
		Principal	Interest	Total	
2004	19,837,894	361,290	386,228	747,518	26.54
2005	21,011,720	456,290	433,108	889,398	23.62
2006	25,018,727	452,638	415,640	868,278	28.81
2007	29,200,152	788,670	642,711	1,431,381	20.40
2008	30,629,130	708,102	501,150	1,209,252	25.33
2009	28,084,482	733,900	486,372	1,220,272	23.01
2010	25,695,598	6,510,516	933,536	7,444,052	3.45
2011	23,921,715	234,970	253,984	488,954	48.92
2012	25,085,767	304,820	314,703	619,523	40.49
2013	28,135,868	321,910	371,951	693,861	40.55

Certificates of Participation

Fiscal Year	Gross Revenues	Debt Service			Coverage
		Principal	Interest	Total	
2004	19,837,894	180,000	15,768	195,768	101.33
2005	21,011,720	190,000	26,690	216,690	96.97
2006	25,018,727	205,000	16,566	221,566	112.92
2007	29,200,152	-	-	-	0.00
2008	30,629,130	-	-	-	0.00
2009	28,084,482	-	-	-	0.00
2010	25,695,598	-	-	-	0.00
2011	23,921,715	-	-	-	0.00
2012	25,085,767	-	-	-	0.00
2013	28,135,868	-	-	-	0.00

Special Assessment

Fiscal Year	Gross Revenues	Debt Service			Coverage
		Principal	Interest	Total	
2004	-	-	-	-	0.00
2005	-	-	-	-	0.00
2006	-	-	176,967	176,967	0.00
2007	379,840	185,000	186,828	371,828	0.00
2008	365,810	195,000	177,577	372,577	0.98
2009	367,539	205,000	248,429	453,429	0.81
2010	368,152	215,000	152,203	367,203	1.00
2011	365,811	225,000	147,548	372,548	0.98
2012	366,028	235,000	132,423	367,423	1.00
2013	365,935	250,000	117,576	367,576	1.00

Source: Town of Oro Valley Finance Department

TOWN OF ORO VALLEY, ARIZONA
 DEMOGRAPHIC AND ECONOMIC STATISTICS
 LAST TEN FISCAL YEARS
 (UNAUDITED)

Year	Population	Personal Income (thousands of dollars)	Per Capita Personal Income	Unemployment Rate
2004	37,700	1,360,700,031	36,093	2.6%
2005	39,310	1,461,373,787	37,176	2.5%
2006	40,215	1,539,868,259	38,291	3.0%
2007	42,551	1,678,195,258	39,440	2.6%
2008	43,651	1,773,226,205	40,623	3.0%
2009	43,694	1,828,222,176	41,841	5.1%
2010	43,521	1,875,613,105	43,097	6.2%
2011	41,011	1,820,460,164	44,390	6.0%
2012	41,335	1,661,839,665	40,204	6.4%
2013	43,070	1,692,780,210	39,303	6.4%

Source: US Census Bureau, Arizona Employment statistics and Pima Association of Governments

TOWN OF ORO VALLEY, ARIZONA
 FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION
 LAST TEN FISCAL YEARS
 (UNAUDITED)

<u>Function/Program</u>	Full-time Equivalent Employees as of June 30									
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Administration										
Town Clerk	4.54	4.44	4.60	4.00	4.60	4.60	4.60	4.50	4.50	4.00
Town Manager	7.00	7.10	7.10	8.10	8.50	8.10	6.00	6.00	5.00	4.00
Human Resources	5.00	5.00	5.00	4.00	4.00	4.00	4.00	3.00	3.00	3.00
Economic Development	3.00	1.00	1.00	1.40	1.40	2.25	2.25	2.00	2.00	2.00
Finance	7.00	7.00	7.00	7.00	9.00	9.00	8.00	7.50	7.50	7.50
Information Systems	6.50	6.50	8.00	8.00	7.00	8.00	5.00	4.00	4.00	2.00
Legal	6.00	8.00	8.00	7.00	10.00	10.25	10.25	10.25	6.25	8.00
Community Development										
Building Safety	0.00	0.00	0.00	13.00	16.00	18.00	17.00	16.00	16.00	17.00
Community Development Admin.	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4.00	4.00	4.00
Planning & Zoning	0.00	0.00	0.00	13.00	16.00	16.00	14.00	13.50	13.50	13.50
Development & Infrastructure Services	77.22	73.38	73.10	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Parks and Recreation	27.26	20.62	22.70	27.50	27.60	28.10	27.00	20.80	20.80	20.30
Cultural Resources	1.35	1.30	1.30	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Library	0.00	18.55	18.40	18.50	18.70	19.40	19.30	19.43	14.00	14.00
Police										
Civilians	30.25	30.25	29.70	30.70	33.00	34.00	34.00	29.00	28.00	29.00
Officers	101.44	97.96	95.00	97.90	102.40	108.00	105.00	96.00	92.00	88.00
Magistrate Court	8.00	8.00	9.00	9.00	9.00	8.50	8.50	8.50	8.50	7.50
Public Works	0.00	0.00	0.00	47.70	52.90	56.10	53.13	54.00	51.50	28.50
Water Utility	36.00	36.00	34.00	35.00	36.30	35.50	35.50	34.00	34.00	33.00
Total	320.56	325.10	323.90	331.80	356.4	369.80	353.53	332.48	314.55	285.30

Source: Town of Oro Valley Finance Department

TOWN OF ORO VALLEY, ARIZONA
WATER UTILITY REVENUES BY USER TYPE
LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year	Residential	Commercial	Irrigation	Irrigation Reclaimed	Construction	Construction Reclaimed	Turf	Turf Reclaimed	Wholesale/Unmetered	Total
2004	6,396,018	499,034	751,420	-	253,128	-	1,140,124	-	53,346	9,093,070
2005	6,758,806	515,989	833,179	-	401,095	-	1,200,402	-	-	9,709,471
2006	7,227,509	614,474	921,364	-	368,784	-	940,753	670,968	1,235	10,745,087
2007	7,187,885	614,404	978,556	1,555	542,879	-	680,833	1,015,709	-	11,021,820
2008	7,511,067	667,910	1,146,222	796	652,446	1,630	666,558	1,039,969	-	11,686,598
2009	7,573,960	749,019	1,093,852	9,007	349,994	3,757	265,413	1,389,783	-	11,434,785
2010	8,040,762	902,432	1,152,529	14,240	222,447	720	354,308	1,383,592	-	12,071,030
2011	8,043,658	921,825	1,166,921	13,258	92,257	814	130,704	1,669,045	-	12,038,482
2012	7,761,639	954,472	1,050,602	13,466	120,830	653	115,568	1,561,750	-	11,578,980
2013	7,752,934	962,824	1,040,793	19,000	196,354	884	135,720	1,507,574	-	11,616,083

Source: Town of Oro Valley Water Utility Department

TOWN OF ORO VALLEY, ARIZONA
 OPERATING INDICATORS BY FUNCTION
 LAST TEN FISCAL YEARS
 (UNAUDITED)

<u>Function/Program</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Police										
Burglaries	94	124	97	112	125	125	120	100	134	105
Citations (traffic)	9,413	8,660	8,203	8,183	7,497	9,256	6,736	5,244	5,084	5,456
Investigations	3,788	4,216	5,106	6,656	6,892	917	732	746	711	681
Total Arrests	2,184	2,076	2,053	2,236	2,254	2,478	2,176	1,932	1,716	1,564
Thefts	572	580	568	575	577	528	567	656	571	563
Development & Infrastructure Services										
Street resurfacing (miles)	8.0	17.3	5.4	7.7	10.5	53.4	14.8	13.9	22.4	30.5
Parks and Recreation										
Recreation Programs Held Annually	23	30	38	42	46	46	40	47	37	35
Months of Public Pool Operations	10	10	10	10	10	10	12	12	12	10
Parks Maintenance Man-Hours Worked	13,520	13,520	13,520	15,600	17,472	16,288	16,120	18,680	16,016	17,000
Library										
Collection volume	75,000	80,000	86,000	90,000	96,000	95,750	100,142	100,652	97,364	0
Water										
New connections	533	377	508	367	346	196	68	61	97	213
Total connections	16,578	16,955	17,463	17,830	18,177	18,373	18,441	18,502	18,599	18,812
Transit										
Total route miles	177,283	190,609	165,202	165,202	175,841	163,964	138,752	138,333	200,058	353,936
Passengers	13,991	15,937	14,387	14,858	16,908	17,101	15,573	14,873	20,119	32,442

Source: Town of Oro Valley Finance Department

Note: Oro Valley Library was transferred to Pima County Library District on January 1, 2013.

TOWN OF ORO VALLEY, ARIZONA
WATER RATES
LAST TEN FISCAL YEARS
(UNAUDITED)

<u>Year</u>	<u>Base Rate monthly</u>	<u>Tier 1 per 1,000</u>	<u>Tier 2 per 1,000</u>	<u>Tier 3 per 1,000</u>	<u>Tier 4 per 1,000</u>	<u>GPF per 1,000</u>
2004	12.30	1.92	2.55	3.25	N/A	\$ 0.21
2005	12.65	1.98	2.68	3.58	N/A	0.21
2006	12.65	1.98	2.68	3.58	N/A	0.21
2007	13.25	2.08	2.81	3.76	N/A	0.25
2008	13.25	2.08	2.81	3.76	\$ 5.00	0.40
2009	13.91	2.18	2.95	3.95	5.25	0.55
2010	14.19	2.20	2.99	4.03	5.38	0.75
2011	14.19	2.20	2.99	4.03	5.38	0.75
2012	14.19	2.20	2.99	4.03	5.38	0.95
2013	14.19	2.20	2.99	4.03	5.38	0.95

Source: Town of Oro Valley Water Utility

TOWN OF ORO VALLEY, ARIZONA
 CAPITAL ASSETS STATISTICS BY FUNCTION
 LAST TEN FISCAL YEARS
 (UNAUDITED)

<u>Function/Program</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Substations	3	3	3	2	2	2	3	3	3	3
Patrol units	93	103	105	105	113	109	108	53	67	66
Other fleet	0	0	0	0	0	0	0	55	42	43
Development & Infrastructure Services										
Streets (miles)	182.7	188.0	191.3	201.9	220.1	220.1	214.0	203.8	203.8	205.1
Streetlights	171	187	187	193	218	253	272	234	270	272
Traffic signals	8	10	10	15	16	16	18	16	17	19
Parks and recreation										
Acreage	87	87	300	300	300	300	374	374	436	436
Playgrounds	2	2	2	2	2	2	2	2	2	2
Baseball/softball diamonds	7	7	7	7	7	7	7	7	7	7
Water										
Wells	21	22	22	22	19	22	18	22	22	22
Storage capacity (MG)	16	17	17	17.5	18	19	19	20	20	20
Booster capacity	29	28	28	28	27	27	26	25	25	25
Transit										
Transit vans	8	9	9	9	9	9	9	5	5	5
Transit mini buses	0	0	0	0	0	0	0	5	10	12

Source: Town of Oro Valley Finance Department