



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

FOR THE FISCAL YEAR ENDED
JUNE 30, 2014



11000 NORTH LA CANADA DRIVE
ORO VALLEY, ARIZONA 85737 - 7015

**TOWN OF ORO VALLEY, ARIZONA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Prepared by:

Finance Department

Stacey Lemos, CPA
Finance Director

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**TOWN OF ORO VALLEY, ARIZONA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

TABLE OF CONTENTS

<u>INTRODUCTORY SECTION</u>	<u>Page</u>
Letter of Transmittal	i
Organization Chart	ix
List of Town Officials	x
GFOA Certificate of Achievement	xi
<u>FINANCIAL SECTION</u>	
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (Required supplementary information)	5
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Position	19
Statement of Activities	20
Fund Financial Statements:	
Balance Sheet – Governmental Funds	24
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	27
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	28
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	31
Statement of Net Position – Proprietary Funds	32

**TOWN OF ORO VALLEY, ARIZONA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

TABLE OF CONTENTS (Cont'd)

<u>FINANCIAL SECTION</u> (Cont'd)	<u>Page</u>
BASIC FINANCIAL STATEMENTS (Concl'd)	
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds	34
Statement of Cash Flows – Proprietary Funds	36
Notes to Financial Statements	37
SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (Required Supplementary Information)	
General Fund	64
Highway User Fund	65
Note to Required Supplementary Information	66
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES	
Governmental Funds:	
Combining Balance Sheet – All Non-Major Governmental Funds By Fund Type	70
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – All Non-Major Governmental Funds – By Fund Type	72
Special Revenue Funds:	
Combining Balance Sheet	76
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	78
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	80

**TOWN OF ORO VALLEY, ARIZONA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

TABLE OF CONTENTS (Cont'd)

<u>FINANCIAL SECTION</u> (Concl'd)	<u>Page</u>
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES (Concl'd)	
Debt Service Fund:	
Combining Balance Sheet	86
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	87
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	88
Capital Projects Funds:	
Combining Balance Sheet	92
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	94
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	96
Internal Service Funds:	
Combining Statement of Net Position	102
Combining Statement of Revenues, Expenses and Changes in Fund Net Position	103
Combining Statement of Cash Flows	104

**TOWN OF ORO VALLEY, ARIZONA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

TABLE OF CONTENTS (Cont'd)

STATISTICAL SECTION

Financial Trends:

Net Position by Component	107
Changes in Net Position	108
Fund Balances of Governmental Funds	111
Changes in Fund Balances of Governmental Funds	112

Revenue Capacity:

Principal Employers	114
Principal Sales Taxpayers	115
Taxable Sales by Category	116
Direct and Overlapping Sales Tax Rates	117
Primary and Secondary Assessed Property Values	118
Historical and Projected Excise Tax Collections	119

Debt Capacity:

Ratio of Outstanding Debt by Type	120
Direct and Overlapping Governmental Activities Debt	121
Legal Debt Margin Information	122
Calculation of Legal Debt Margin	123
Pledged-Revenue Coverage	124
Historical and Projected Water System Revenues, Expenses, Debt Service and Coverage	125

Demographic and Economic Information:

Demographic and Economic Statistics	126
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**TOWN OF ORO VALLEY, ARIZONA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

TABLE OF CONTENTS (Concl'd)

<u>STATISTICAL SECTION</u> (Concl'd)	<u>Page</u>
Operating Information:	
Full-Time Equivalent Town Employees by Function	127
Water Utility Revenues by User Type	128
Operating Indicators by Function	129
Water Rates	130
Capital Assets Statistics by Function	131

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INTRODUCTORY SECTION

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Town of Oro Valley

November 26, 2014

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, 2014.

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, 2014, 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, 2014, 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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phone: (520) 229-4700 • fax: (520) 229-0428

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 41,887. The population of Oro Valley has increased 41% 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 are 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 August of 2014.

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 December 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 10 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 2013/14.

- **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.

- Collected over \$1.3 million in plan review and permit fees.
- Issued 1,536 permits, of which 255 were commercial building permits, 1,205 were residential permits and 76 were grading permits.
- Issued building permits for 646 new multi-family units.
- Received the Achievement of Excellence in Procurement Award for the 6th consecutive year.
- Received Certificate of Achievement for Financial Reporting Excellence for FY 2012/13 from Government Finance Officers Association (GFOA) for the 20th consecutive year.
- Received Distinguished Budget Presentation Award from GFOA for the 6th consecutive year.
- Received Popular Annual Financial Reporting (PAFR) Award from GFOA for FY 2012/13 for the 2nd consecutive year.
- Received an unqualified "clean" audit opinion for FY 2012/13 financial statements.
- Completed update of Town development impact fee study in compliance with State law with new fees effective July 1, 2014.
- Received two-notch bond rating upgrade from Standard & Poor's (S&P) on the Series 2005 Oracle Road Improvement District Bonds from A- to A+.
- Participated in successful loan closing through the Water Infrastructure Finance Authority (WIFA) for \$5 million at an annual interest rate of 2.65% for the Advanced Metering Infrastructure Project.
- Began implementation of Town's on-site health clinic.
- Transitioned the Town's dental insurance program from fully-insured to a self-insured program.
- Received \$15,000 AZ Game & Fish grant for Naranja Park archery range.
- A water rate increase of 0.6% and the elimination of tiered rate structures for commercial and multi-family classifications were approved.
- Completed Phase 1 of the Water Utility Energy Efficient Study and purchased new high efficiency pumps and motors.

- **Communication**

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

- Implemented a Citizen Self Service module to enable business owners to pay business license fees online.

- Implemented an automated public records request system that allows requests to be submitted and tracked online, allows tracking of time spent on request and provides reports regarding requests.
 - Approved funding to increase the frequency of the *Oro Valley Vista* newsletter distribution to residents.
 - Developed and launched smart phone mobile application: OV APP.
 - Developed a summer marketing campaign for the Oro Valley Aquatic Center.
 - Developed a Parks & Recreation program guide that is published three times a year.
- **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.

 - Oro Valley named one of “America’s 10 Safest Suburbs” by Movoto Real Estate.
 - Provided a wide range of construction assistance from initial infrastructure and grading inspections through final approvals for a multitude of both residential and commercial developments and projects. Some of these include Securaplane, St. Mark’s Church, the apartments at Encantada at Steam Pump and San Dorado, CVS Pharmacy, Catalina Springs Memory Care & Basis K-6 school, and the opening of two new residential subdivisions.
 - Completed the Cañada del Oro (CDO) shared use path and pedestrian bridge.
 - Launched “Play OV, Stay OV” campaign.
 - Launched Visit Oro Valley microsite.
 - Celebrated the 10th anniversary of the Arizona Distance Classic Half Marathon and partnered with M3S Sports, the Greater Oro Valley Chamber of Commerce and Visit Tucson to provide participants with OV dollars.
 - Successfully attracted the 2016 Masters Synchronized Swimming Championships.
 - Celebrated the Town’s 40th anniversary through a series of events, social media campaigns, branding and signage, and partnerships with local businesses.
 - Successfully hosted eight (8) large scale aquatic meets/events to include National Synchronized Swimming.
 - Aquatic Center received Arizona Parks & Recreation Association (APRA) Outstanding New Facility award.
 - Oro Valley named Playful City USA 2014 (fourth consecutive year).
 - Hosted “Off the Vine Wine Festival” at Steam Pump Ranch.
 - **Community Services**

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

 - Authorized \$2.3 million for development of Naranja Park improvements, including a dog park, two multi-sport fields, parking lot and critical infrastructure.
 - Approved the adoption of the vision and guiding principles for the Your Voice, Our Future project, also known as the General Plan update.
 - Approved \$200K to help launch a Children’s Museum satellite location in Oro Valley.
 - Selected a new permitting system to replace the current Permits Plus system.
 - Seamlessly transitioned from the 2006 Building Codes to the 2012 editions.
 - Fiscal year Transit service ridership exceeded 40,000 passenger trips and increased 25% over prior year.
 - Lambert Lane Phase I widening project completed.
 - Conducted a market salary study of the Town’s benchmark classifications.

- Updated the Town’s classification plan by creating three schedules: general pay structure, Police Department pay structure and part-time pay structure.
- Implemented phase 1 of phone system replacement/Voice over IP project.
- Upgraded all Town computers to Windows 7 and Office 2013 software.
- Implemented internet access to Town GIS maps.
- Implemented faster and less expensive web-based portal for Court payments, reducing costs to constituents and the Court.
- Over 2,000 residents and visitors attended the 2013 4th of July Celebration at James D. Krieger Park and Aquatic Center.
- Launched the 2nd Saturdays at Steam Pump Ranch concert series.
- Erected shade structures and other improvements at Steam Pump Ranch, allowing for the relocation of the Farmer’s Market to the property.
- Began work on the implementation of the Naranja Park Programming & Design Master Plan Update.
- 162 active businesses in the Police Department’s Adopt-A-Business Program.
- Citizen Volunteer Assistants Program (CVAP) members contributed an estimated 27,664 volunteer hours.
- Full implementation of the Pima County Wireless Integrated Network system was achieved on March 31, 2014.
- Oro Valley Police Department began beta testing a new Eticket, Ecrash and incident reporting system, the first of its kind (<http://www.thinbluereports.com/>).
- Constructed and completed the Central Arizona Project (CAP) water delivery connections at Northern & Hardy and at Countryside.
- Replaced 2,454 water meters under the Meter Replacement Program and Advanced Metering Infrastructure Project.

ECONOMIC CONDITIONS AND OUTLOOK

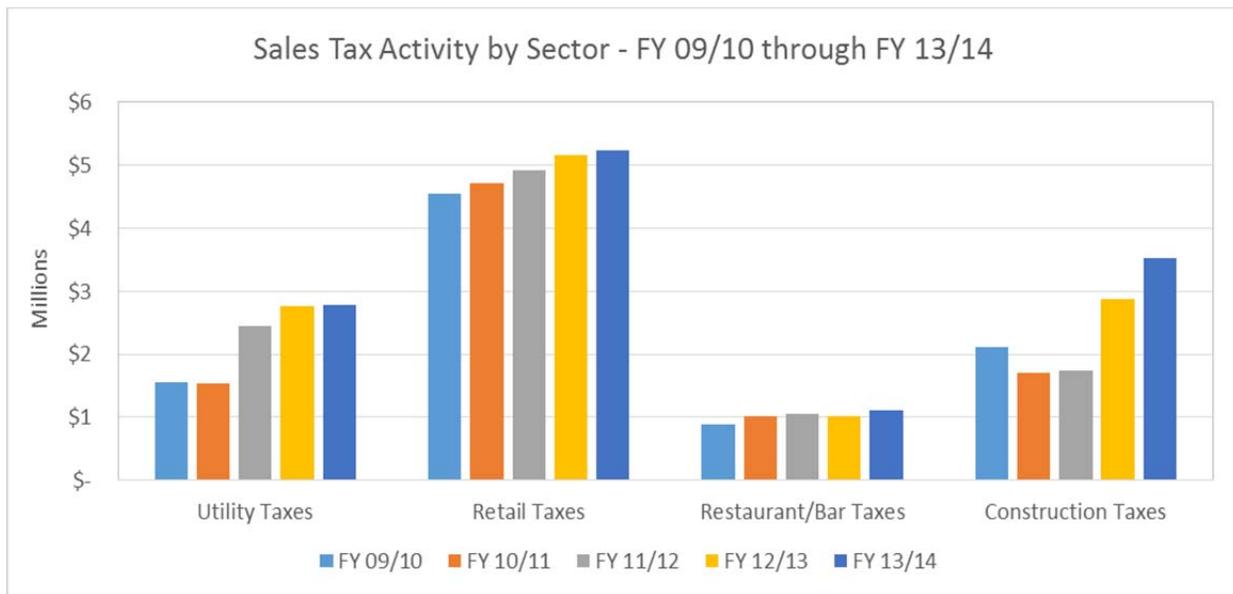
The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the Town operates.

Fiscal year 2013/14 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 76% of total General Fund revenue for FY 2013/14.

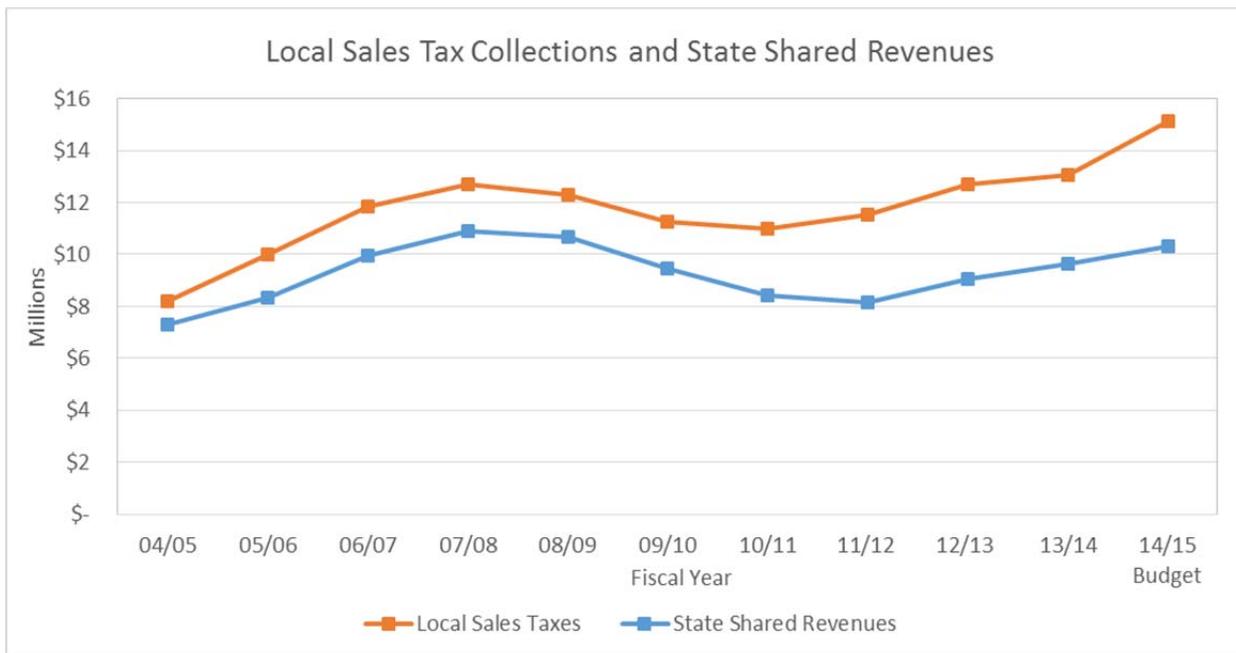
Most of the major local sales tax categories experienced year-over-year increases compared to amounts collected in FY 2012/13 as discussed below:

- Retail tax collections totaled \$5.2 million for FY 13/14, up 1.7%, or \$89,000 over last fiscal year.
- Restaurant and bar tax collections totaled \$1.1 million for the fiscal year, up 9.2% over last fiscal year.
- Construction sales tax collections totaled \$3.5 million for the fiscal year, up 22.6%, or \$650,000 over last fiscal year.
- Utility tax collections totaled \$2.8 million for the fiscal year, up 0.8%, or \$23,000 over last fiscal year.

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

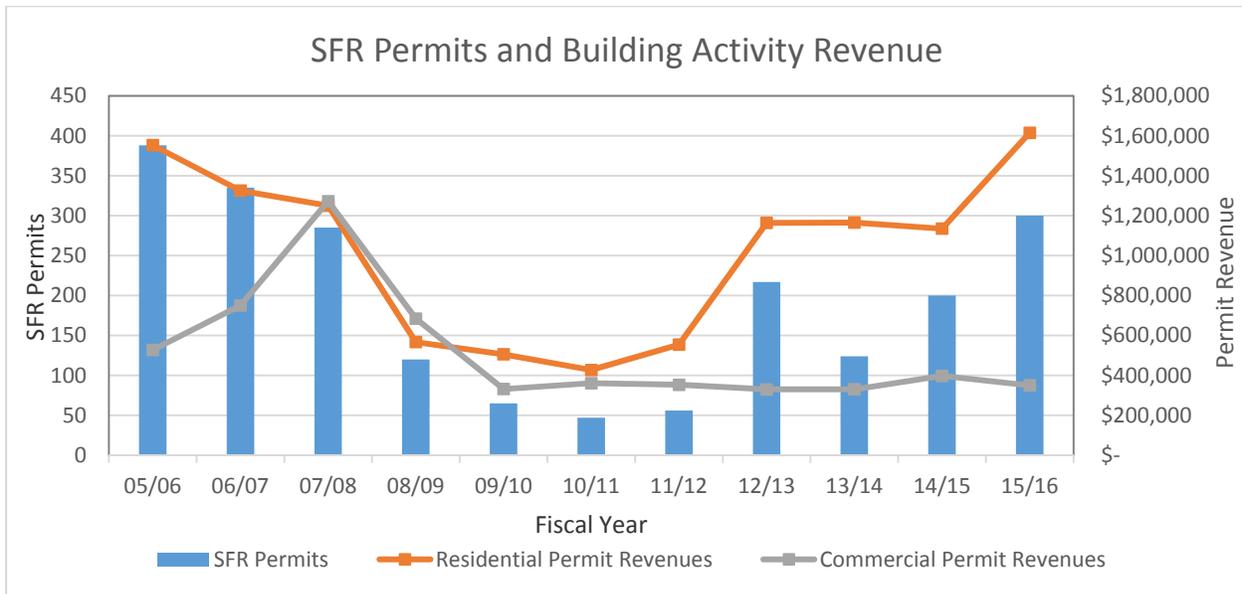


In FY 2013/14, the Town received \$9.6 million for state shared revenues in the General Fund, up 6.5%, or \$589,000 over last fiscal year. The trend chart below depicts the expected upward movement of both of these revenue categories for next fiscal year:



The demands of the organization continue to evolve as the Town sees significant signs of economic recovery. Specifically, the recovery in the housing market is leading to challenges and opportunities. Because the organization made significant staff reductions during the recession, this surge of activity presents some unique staffing challenges, and we continue to monitor the activity closely. The below chart depicts the local trends in single family residential (SFR) building permits issued and annual

permit revenues from both residential and commercial construction activity from FY 2005/06 through FY 2015/16 projections.



Future Focus

A significant effort was undertaken during the FY 2014/15 budget process to identify and quantify both one-time revenues derived from increased construction activity and recurring revenues derived from such areas as local sales taxes and state-shared sources. The Town used this information to dedicate one-time revenues to funding one-time expenditures in the budget, specifically for capital improvement projects, while ensuring that sufficient recurring revenues existed to fund recurring expenditures in the budget. With the expectation of this increased development activity continuing in future years, it will be important to continue to analyze the budget in this manner to avoid future reliance on one-time revenues to fund recurring costs.

For FY 2014/15, 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 assets and technology, continued delivery of quality community services and new initiatives.

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

- Employee performance merit and step increases have been budgeted for FY 2014/15, along with funding to fully implement compensation plan adjustments based on the findings of the salary market study that was performed during FY 2013/14.
- The FY 2014/15 budget includes funding to open and operate an on-site health clinic for our Town employees and covered dependents in further support of the Town’s robust health and wellness program.
- The FY 2014/15 budget includes more than \$1.1 million for the Pavement Preservation Program in the Highway Fund, which maintains the current condition of our streets and roads.
- Funding has also been included in the FY 2014/15 budget to build upon the \$2.3 million improvements at Naranja Park authorized during FY 2013/14 by adding \$250,000 to build restroom facilities at the park.
- The FY 2014/15 budget has dedicated funding for a satellite location of a Children’s Museum in partnership with the Tucson Children’s Museum to further efforts to provide arts and culture amenities for all ages in the Town.

Additionally, annexation efforts will continue to be a top priority 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 \$11.5 million, or 36% of FY 2014/15 adopted expenditures of \$32.3 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, 2013. This was the twentieth 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,



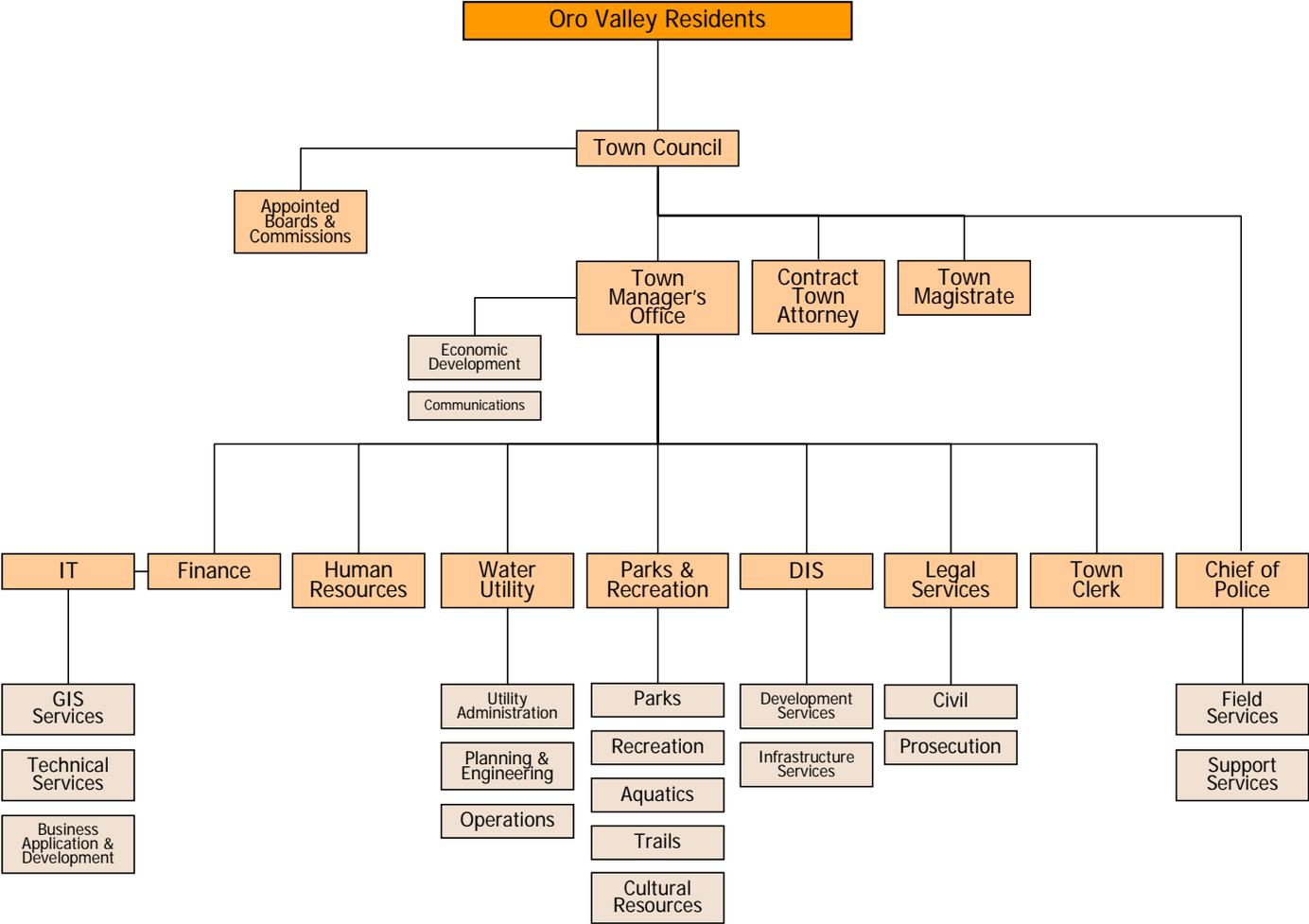
Greg Caton, ICMA-CM
Town Manager



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 DIRECTORS

Town Manager	Greg Caton
Finance Director	Stacey Lemos, CPA
Human Resources Director	Vacant
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, 2013

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, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Oro Valley, Arizona, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance 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. 65, *Items Previously Reported as Assets and Liabilities*, for the year ended June 30, 2014, 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 November 26, 2014, 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

November 26, 2014

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, 2014**

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, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found 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 2013-14 as follows.

- The Town's total net position of governmental activities decreased \$443,413 to \$156.7 million and business-type activities increased \$6.0 million to \$74.3 million representing 68 percent and 32 percent respectively, of the total net position of \$231.0 million.
- General revenues from governmental activities accounted for \$25.8 million in revenue, or 67 percent of all revenues from governmental activities. Program specific revenues in the form of charges for services and grants and contributions accounted for \$12.7 million or 33 percent of total governmental activities revenues. The Town had \$20.2 million of program revenues and \$111,816 in general revenues related to business-type activities.
- The Town had \$38.9 million in expenses related to governmental activities, an increase of 11 percent from the prior fiscal year. The Town had \$14.3 million in expenses related to business-type activities, an increase of 2 percent from the prior fiscal year.
- Among major funds, the General Fund had \$29.5 million in revenues, which primarily consisted of sales taxes and intergovernmental revenues. The total expenditures of the General Fund were \$28.0 million. The General Fund's fund balance decreased from \$13.1 million to \$11.5 million, primarily due to \$3.3 million in transfers to capital project funds for improvements to Naranja Park in the amount of \$2.3 million and \$1.5 million for the establishment of a General Government Capital Improvement Fund to account for governmental capital asset projects.
- The Highway User Revenue Fund had \$4.2 million in revenues, which primarily consisted of intergovernmental revenues. The total expenditures of the Highway User Revenue Fund were \$3.5 million.
- The Water Fund operating revenues of \$15.5 million exceeded operating expenses of \$11.6 million. The increase in net position of \$6.0 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, 2014**

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, 2014**

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 and Highway User Revenue (HURF) Funds, both 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 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 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, 2014**

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 and deferred outflows exceeded liabilities and deferred outflows by \$231.0 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 outstanding 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, 2014 and June 30, 2013.

	2014	2013	2014	2013		
	Governmental	Governmental	Business-type	Business-type	2014 Total	2013 Total
	Activities	Activities	Activities	Activities		
Current and other assets	\$ 28,033,668	\$ 27,802,041	\$ 25,162,539	\$ 22,603,794	\$ 53,196,207	\$ 50,405,835
Capital assets, net	143,597,865	146,102,837	98,221,633	97,911,736	241,819,498	244,014,573
Total assets	<u>171,631,533</u>	<u>173,904,878</u>	<u>123,384,172</u>	<u>120,515,530</u>	<u>295,015,705</u>	<u>294,420,408</u>
Deferred outflows	135,085		2,153,646		2,288,731	
Current and other liabilities	3,376,544	3,438,012	3,647,811	2,842,130	7,024,355	6,280,142
Long-term liabilities	11,689,969	13,323,348	47,573,244	49,369,457	59,263,213	62,692,805
Total liabilities	<u>15,066,513</u>	<u>16,761,360</u>	<u>51,221,055</u>	<u>52,211,587</u>	<u>66,287,568</u>	<u>68,972,947</u>
Net investment in capital assets	133,714,821	134,512,094	52,775,561	48,802,267	186,490,382	183,314,361
Restricted	4,555,138	3,730,312			4,555,138	3,730,312
Unrestricted	18,430,146	18,901,112	21,541,202	19,501,676	39,971,348	38,402,788
Total net position	<u>\$ 156,700,105</u>	<u>\$ 157,143,518</u>	<u>\$ 74,316,763</u>	<u>\$ 68,303,943</u>	<u>\$ 231,016,868</u>	<u>\$ 225,447,461</u>

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 \$3.4 million in business-type activities capital assets through improvements to the existing water system.
- The addition of \$6.1 million in governmental activities capital assets, mostly consisting of the completion of the Lambert Lane street improvement project for \$10 million and \$1.4 million in improvements to Naranja Park.

**TOWN OF ORO VALLEY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2014**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd)

- The decrease of \$1.8 million in business-type activities long-term debt was due mainly to the issuance of a \$1.1 million in Water Infrastructure Finance Authority (WIFA) loan and annual debt service payments of \$2.7 million.
- The decrease of \$1.6 million in governmental activities long-term debt was due mainly to annual debt service payments of \$704,000, and the early payoff of \$1.1 million in special assessment bonds.

Changes in net position. The Town's total revenues for the current fiscal year were \$58.8 million. The total cost of all programs and services was \$53.2 million. The following table presents a summary of the changes in net position for the fiscal years ended June 30, 2014 and June 30, 2013.

	2014 Governmental Activities	2013 Governmental Activities	2014 Business-type Activities	2013 Business-type Activities	2014 Total	2013 Total
Revenues:						
Program revenues:						
Charges for services	\$ 5,066,591	\$ 5,007,938	\$ 20,046,222	\$ 17,546,000	\$ 25,112,813	\$ 22,553,938
Operating grants and contributions	4,706,844	5,318,097			4,706,844	5,318,097
Capital grants and contributions	2,919,641	2,920,335	179,675	48,871	3,099,316	2,969,206
General revenues:						
Sales taxes	15,286,001	14,241,065			15,286,001	14,241,065
Franchise taxes	571,731	539,477			571,731	539,477
Unrestricted state shared revenues	9,636,906	9,048,365			9,636,906	9,048,365
Investment earnings	255,702	265,787	111,816	5,471	367,518	271,258
Total revenues	<u>38,443,416</u>	<u>37,341,064</u>	<u>20,337,713</u>	<u>17,600,342</u>	<u>58,781,129</u>	<u>54,941,406</u>
Expenses:						
General government	10,990,007	9,861,131			10,990,007	9,861,131
Public safety	13,814,914	12,770,224			13,814,914	12,770,224
Highways and streets	10,029,203	9,255,004			10,029,203	9,255,004
Culture and recreation	3,399,623	2,783,633			3,399,623	2,783,633
Interest on long-term debt	656,260	522,917			656,260	522,917
Water			13,572,677	13,047,373	13,572,677	13,047,373
Stormwater drainage			749,038	983,975	749,038	983,975
Total expenses	<u>38,890,007</u>	<u>35,192,909</u>	<u>14,321,715</u>	<u>14,031,348</u>	<u>53,211,722</u>	<u>49,224,257</u>
Transfers	3,178	2,319	(3,178)	(2,319)		
Special item		(2,606,804)				(2,606,804)
Changes in net position	(443,413)	(456,330)	6,012,820	3,566,675	5,569,407	3,110,345
Net position, beginning	157,143,518	157,599,848	68,303,943	64,737,268	225,447,461	222,337,116
Net position, ending	<u>\$ 156,700,105</u>	<u>\$ 157,143,518</u>	<u>\$ 74,316,763</u>	<u>\$ 68,303,943</u>	<u>\$ 231,016,868</u>	<u>\$ 225,447,461</u>

Total revenues increased \$3.8 million, or 7 percent, primarily due to an increase in sales tax revenue and state shared revenues. The increase of \$1.0 million in sales tax was largely due to an increase of \$500,000 in collections from construction-related activity and \$500,000 from the hotel and lodging industry. Business-type activities charges for services increased by \$2.5 million due to an increase in water sales of \$584,000 and \$1.8 million in collections from water connection fees and development impact fees.

**TOWN OF ORO VALLEY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2014**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Concl'd)

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.

	2014		2013	
	Total Expenses	Net (Expense)/ Revenue	Total Expenses	Net (Expense)/ Revenue
Governmental Activities				
General government	\$ 10,990,007	\$ (6,790,678)	\$ 9,861,131	\$ (5,938,649)
Public safety	13,814,914	(12,711,503)	12,770,224	(11,749,770)
Highways and streets	10,029,203	(3,106,178)	9,255,004	(1,552,733)
Culture and recreation	3,399,623	(2,932,312)	2,783,633	(2,182,470)
Interest on long-term debt	656,260	(656,260)	522,917	(522,917)
Total	<u>\$ 38,890,007</u>	<u>\$ (26,196,931)</u>	<u>\$ 35,192,909</u>	<u>\$ (21,946,539)</u>
Business-type Activities				
Water	\$ 13,572,677	\$ 5,893,792	\$ 13,047,373	\$ 3,726,231
Stormwater drainage	749,038	10,390	983,975	(162,708)
Total	<u>\$ 14,321,715</u>	<u>\$ 5,904,182</u>	<u>\$ 14,031,348</u>	<u>\$ 3,563,523</u>

- The cost of all governmental activities this year was \$38.9 million. The increase of \$3.7 million from the prior year was due primarily to improvements to Naranja Park of \$1.3 million and the electric utility line undergrounding project in the amount of \$970,000. In addition, personnel costs increased due to the reinstatement of step and merit increases for all Town employees.
- The cost of all business-type activities this year was \$14.3 million. The increase of \$290,367 from the prior year was primarily due to increased personnel costs due to the reinstatement of merit increases for all Town employees.
- Federal and State governments, developer contributions, and charges for services subsidized certain governmental programs and business-type programs with revenues of \$32.9 million.
- Net cost of governmental activities of \$26.2 million was financed by general revenues, which are made up of primarily sales taxes and state shared revenues of \$24.9 million.

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.

**TOWN OF ORO VALLEY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2014**

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (Concl'd)

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 \$22.9 million, an increase of \$1.9 million. This was primarily due to increases in construction sales tax collections and funds received for the completion of the Lambert Lane street improvement project.

The General Fund is the principal operating fund of the Town. The fund balance decreased by \$1.6 million in the General Fund to \$11.5 million for the current fiscal year due to \$3.3 million in transfers to capital project funds of \$2.3 million for Naranja Park improvements and \$1.5 million for the establishment of a General Government Capital Improvement Fund to account for governmental capital projects.

The fund balance of the Highway User Revenue Fund showed an increase of \$657,396 to \$4.2 million for the current fiscal year due to an increase in local sales tax revenues and operating budget cost savings.

Proprietary funds. Net position of the Enterprise Funds at the end of the year amounted to \$74.3 million. The increase of \$6.0 million from the prior fiscal year was primarily due to increased operating income of \$3.9 million and development impact fee revenues of \$2.4 million from the Water Utility Fund.

BUDGETARY HIGHLIGHTS

There were budget amendments to the Town of Oro Valley's fiscal year 2013-14 operating and capital budget. A total of \$2 million was transferred to the Naranja Park Fund from the General Fund for \$1.6 million and the Bed Tax Fund for \$400,000. In addition, \$60,000 was transferred from General Fund contingency to the Information Technology 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 \$575,988 in licenses, fees & permits was a result of an increase in local construction activity.
- The favorable variance of \$830,114 in public safety expenditures was a result of a result of not expending funds allocated for the Police Evidence Facility and seizure and forfeiture funds that were not expended.

**TOWN OF ORO VALLEY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2014**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. At year end, the Town had invested \$241.8 million in capital assets (net of accumulated depreciation), including buildings, facilities, vehicles, computers, equipment, and infrastructure assets. This amount represents a net decrease of \$2.2 million from last year. This was primarily due to the completion of numerous street projects and expansion of the Town's water system and depreciation expense of \$11.2 million.

The following schedule presents capital asset balances for the fiscal years ended June 30, 2014 and June 30, 2013.

Governmental Activities	As of June 30, 2014	As of June 30, 2013
Land	\$ 18,878,468	\$ 18,878,468
Infrastructure	165,954,674	153,945,765
Buildings and improvements	25,018,388	26,549,988
Machinery, equipment, and vehicles	12,853,856	11,500,475
Construction in progress	1,853,653	9,943,494
Less: Accumulated depreciation	(80,961,174)	(74,715,353)
Total	<u>\$ 143,597,865</u>	<u>\$146,102,837</u>
Business-type Activities	As of June 30, 2014	As of June 30, 2013
Land	\$ 2,410,660	\$ 2,410,660
Water rights	8,534,490	8,534,490
Water system	114,922,175	112,874,420
Stormwater system	2,779,503	2,779,503
Equipment and vehicles	4,467,875	4,387,633
Construction in progress	1,297,414	
Less: Accumulated depreciation	(36,190,485)	(33,074,970)
Total	<u>\$ 98,221,632</u>	<u>\$ 97,911,736</u>

Additional information on the Town's capital assets can be found in Note 6.

**TOWN OF ORO VALLEY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2014**

CAPITAL ASSETS AND DEBT ADMINISTRATION (Concl'd)

Debt Administration. At year end, the Town had \$55.1 million in long-term debt outstanding, \$3.9 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, 2014 and June 30, 2013.

	Governmental Activities	
	2014	2013
Revenue bonds	\$ 8,659,050	\$ 9,103,050
Special assessment bonds	1,055,000	2,435,000
Total	\$ 9,714,050	\$ 11,538,050
	Business-type Activities	
	2014	2013
Revenue bonds	\$ 38,980,950	\$ 41,386,950
Loan payable	6,376,774	5,575,041
Total	\$ 45,357,724	\$ 46,961,991

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 7 through 11.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The unemployment rate for the Town of Oro Valley is currently 6.2%. Pima County's and the State of Arizona's unemployment rates are 6.9% and 6.9%, respectively.
- The Town's secondary assessed valuation for the current year is \$556,259,856.
- Single family residential (SFR) building permits issued in this fiscal year totaled 136, as compared to 217 SFR building permits issued last fiscal year. Projections for SFR building permits are 200 for fiscal year 2014-15.

**TOWN OF ORO VALLEY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2014**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES (Concl'd)

The adopted combined operating and capital expenditure budget for fiscal year 2014-15 totals \$107.1 million, an increase of \$13.2 million, or 14.1% over last year's budget of \$93.9 million. This increase is primarily attributed to the implementation of the compensation plan for all Town employees, replacement of fleet vehicles, capital improvement projects and improvements to the Town's technology. The budget for fiscal year 2014-15 continues to place emphasis on the following: investing in our employees, investing in assets and technology, delivery of community services, and investment in new initiatives 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, 2014

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	\$ 23,842,118	\$ 22,955,521	\$ 46,797,639
Taxes receivable	1,015,269		1,015,269
Accounts receivable	281,641	2,205,018	2,486,659
Intergovernmental receivable	1,751,337		1,751,337
Special assessments	1,055,000		1,055,000
Prepaid items	88,303	2,000	90,303
Total current assets	28,033,668	25,162,539	53,196,207
Noncurrent assets:			
Capital assets, non-depreciable	20,732,121	12,242,564	32,974,685
Capital assets, depreciable (net)	122,865,744	85,979,069	208,844,813
Total noncurrent assets	143,597,865	98,221,633	241,819,498
Total assets	171,631,533	123,384,172	295,015,705
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred charge on refunding	135,085	2,153,646	2,288,731
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	1,522,643	1,101,458	2,624,101
Accrued wages and benefits	869,531	116,024	985,555
Intergovernmental payable	175,984	1,203,779	1,379,763
Interest payable		807,570	807,570
Sales tax payable	317,008		317,008
Unearned revenue	182,467		182,467
Claims payable	95,555		95,555
Customer deposits payable	213,356	418,980	632,336
Compensated absences	1,374,787	152,889	1,527,676
Capital leases payable	40,400	93,593	133,993
Loans payable		290,521	290,521
Special assessment bonds	130,000		130,000
Revenue bonds	479,440	2,995,560	3,475,000
Total current liabilities	5,401,171	7,180,374	12,581,545
Noncurrent liabilities:			
Compensated absences	387,760	138,745	526,505
Capital leases payable	128,594		128,594
Loans payable		6,086,253	6,086,253
Special assessment bonds	925,000		925,000
Revenue bonds	8,223,988	37,815,683	46,039,671
Total noncurrent liabilities	9,665,342	44,040,681	53,706,023
Total liabilities	15,066,513	51,221,055	66,287,568
<u>NET POSITION</u>			
Net investment in capital assets	133,714,821	52,775,561	186,490,382
Restricted for:			
Public safety	883,971		883,971
Capital outlay	3,136,958		3,136,958
Debt service	534,209		534,209
Unrestricted	18,430,146	21,541,202	39,971,348
Total net position	\$ 156,700,105	\$ 74,316,763	\$ 231,016,868

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, 2014**

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	\$ 10,990,007	\$ 4,049,195	\$ 150,134	\$	\$ (6,790,678)
Public safety	13,814,914	35,976	635,197	432,238	(12,711,503)
Highway and streets	10,029,203	546,066	3,889,556	2,487,403	(3,106,178)
Culture and recreation	3,399,623	435,354	31,957		(2,932,312)
Interest on long-term debt	656,260				(656,260)
Total governmental activities	<u>38,890,007</u>	<u>5,066,591</u>	<u>4,706,844</u>	<u>2,919,641</u>	<u>(26,196,931)</u>
Business-type activities:					
Water	13,572,677	19,286,794		179,675	
Stormwater drainage	749,038	759,428			
Total business-type activities	<u>14,321,715</u>	<u>20,046,222</u>	<u></u>	<u>179,675</u>	<u></u>
Total primary government	<u>\$ 53,211,722</u>	<u>\$ 25,112,813</u>	<u>\$ 4,706,844</u>	<u>\$ 3,099,316</u>	<u>(26,196,931)</u>
General revenues:					
Taxes:					
Sales taxes					15,286,001
Franchise taxes					571,731
Unrestricted state shared revenues					9,636,906
Investment earnings					255,702
Transfers					<u>3,178</u>
Total general revenues and transfers					<u>25,753,518</u>
Changes in net position					(443,413)
Net position, beginning of year					<u>157,143,518</u>
Net position, end of year					<u>\$ 156,700,105</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
\$	\$ (6,790,678)
	(12,711,503)
	(3,106,178)
	(2,932,312)
	(656,260)
	(26,196,931)
5,893,792	5,893,792
10,390	10,390
5,904,182	5,904,182
5,904,182	(20,292,749)
	15,286,001
	571,731
	9,636,906
111,816	367,518
(3,178)	
108,638	25,862,156
6,012,820	5,569,407
68,303,943	225,447,461
\$ 74,316,763	\$ 231,016,868

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FUND FINANCIAL STATEMENTS

**TOWN OF ORO VALLEY, ARIZONA
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2014**

	General Fund	HURF	Non-Major Governmental Funds
<u>ASSETS</u>			
Cash and cash equivalents	\$ 12,002,823	\$ 4,058,787	\$ 6,904,012
Taxes receivable	1,015,269		
Accounts receivable	281,641		
Intergovernmental receivable	435,777	251,581	1,063,979
Special assessments			1,055,000
Prepaid items	84,249		4,054
Total assets	\$ 13,819,759	\$ 4,310,368	\$ 9,027,045
 <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 592,472	\$ 70,125	\$ 748,562
Accrued wages and benefits	804,449	65,082	
Intergovernmental payable	175,984		
Sales tax payable	317,008		
Unearned revenue	182,467		
Customer deposits payable	213,356		
Total liabilities	2,285,736	135,207	748,562
Deferred inflows of resources:			
Unavailable revenues - special assessments			1,055,000
Fund balances:			
Restricted			4,555,138
Committed		4,175,161	1,168,345
Assigned	1,608,035		1,500,000
Unassigned	9,925,988		
Total fund balances	11,534,023	4,175,161	7,223,483
 Total liabilities, deferred inflows of resources and fund balances	 \$ 13,819,759	 \$ 4,310,368	 \$ 9,027,045

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

Total
Governmental
Funds

\$ 22,965,622
1,015,269
281,641
1,751,337
1,055,000
88,303
\$ 27,157,172

\$ 1,411,159
869,531
175,984
317,008
182,467
213,356
3,169,505

1,055,000

4,555,138
5,343,506
3,108,035
9,925,988
22,932,667

\$ 27,157,172

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**TOWN OF ORO VALLEY, ARIZONA
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2014**

Total governmental fund balances		\$ 22,932,667
 Amounts reported for <i>governmental activities</i> in the Statement of Net Position are different because:		
 Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Governmental capital assets	\$ 224,559,039	
Less accumulated depreciation	<u>(80,961,174)</u>	143,597,865
 Special assessments receivable are not available to pay for current period expenditures and therefore are reported as unavailable revenue in the funds.		
		1,055,000
 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.		
Deferred bond charges	135,085	
Deferred bond premium	<u>(44,378)</u>	90,707
 The Internal Service Funds are used by management to charge the cost of services to the individual funds. The assets and liabilities of the Internal Service Funds are included in the Statement of Net Position.		
		669,457
 Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Special assessment bonds	(1,055,000)	
Revenue bonds	(8,659,050)	
Capital leases	(168,994)	
Compensated absences	<u>(1,762,547)</u>	<u>(11,645,591)</u>
 Net position of governmental activities		 <u><u>\$ 156,700,105</u></u>

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

TOWN OF ORO VALLEY, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

	<u>General Fund</u>	<u>HURF</u>	<u>Non-Major Governmental Funds</u>
Revenues:			
Sales taxes	\$ 13,044,990	\$ 1,227,468	\$ 1,013,543
Franchise taxes	571,731		
Development impact fees			569,338
Special assessments			1,462,307
Intergovernmental	11,544,290	2,714,257	2,474,084
Licenses, fees & permits	2,069,443	47,257	
Fines, forfeitures & penalties	198,084		475,252
Charges for services	1,720,689	129,492	
Investment earnings	197,753	38,666	19,283
Other	165,119	20,345	120,025
Total revenues	<u>29,512,099</u>	<u>4,177,485</u>	<u>6,133,832</u>
Expenditures:			
Current -			
General government	10,127,193		483,480
Public safety	13,393,183		146,139
Highway and streets	1,275,093	2,435,484	
Culture and recreation	2,445,131		
Capital outlay	798,852	1,084,605	3,611,728
Debt service -			
Principal retirement			1,867,901
Interest and fiscal charges			472,268
Total expenditures	<u>28,039,452</u>	<u>3,520,089</u>	<u>6,581,516</u>
Excess (deficiency) of revenues over expenditures	<u>1,472,647</u>	<u>657,396</u>	<u>(447,684)</u>
Other financing sources (uses):			
Capital lease agreements			212,895
Transfers in	185,000		3,930,152
Transfers out	(3,260,729)		(851,245)
Total other financing sources (uses):	<u>(3,075,729)</u>		<u>3,291,802</u>
Changes in fund balances	<u>(1,603,082)</u>	<u>657,396</u>	<u>2,844,118</u>
Fund balances, beginning of year	13,137,105	3,517,765	4,379,365
Fund balances, end of year	<u>\$ 11,534,023</u>	<u>\$ 4,175,161</u>	<u>\$ 7,223,483</u>

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

Total
Governmental
Funds

\$ 15,286,001
571,731
569,338
1,462,307
16,732,631
2,116,700
673,336
1,850,181
255,702
305,489

39,823,416

10,610,673
13,539,322
3,710,577
2,445,131
5,495,185

1,867,901
472,268

38,141,057

1,682,359

212,895
4,115,152
(4,111,974)

216,073

1,898,432

21,034,235

\$ 22,932,667

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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, 2014**

Net changes in fund balances - total governmental funds **\$ 1,898,432**

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	\$ 6,072,386	
Less current year depreciation	<u>(8,109,927)</u>	(2,037,541)

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. (1,380,000)

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

Capital lease principal retirement	43,901	
Revenue bond principal retirement	444,000	
Special assessment bond principal retirement	<u>1,380,000</u>	1,867,901

Issuance of obligations under capital leases provide current financial resources to governmental funds, but the issuance increases long term liabilities in the Statement of Net Position. (212,895)

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 premium on long-term debt	8,315	
Amortization of deferred charge on refunded debt	(192,307)	
Loss on disposal of capital assets	(467,431)	
Compensated absences	<u>(29,942)</u>	(681,365)

The Internal Service Funds are used by management to charge the cost of services to the individual funds. The changes in net position of the Internal Service Funds are reported with governmental activities in the Statement of Activities. 102,055

Change in net position in governmental activities **\$ (443,413)**

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

TOWN OF ORO VALLEY, ARIZONA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

	Enterprise Funds		
	Water	Non-Major Enterprise Funds	Totals
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	\$ 22,438,781	\$ 516,740	\$ 22,955,521
Accounts receivable	2,116,916	88,102	2,205,018
Prepaid items	2,000		2,000
Total current assets	<u>24,557,697</u>	<u>604,842</u>	<u>25,162,539</u>
Noncurrent assets:			
Capital assets, non-depreciable	12,196,307	46,257	12,242,564
Capital assets, depreciable (net)	82,858,178	3,120,891	85,979,069
Total noncurrent assets	<u>95,054,485</u>	<u>3,167,148</u>	<u>98,221,633</u>
Total assets	<u>119,612,182</u>	<u>3,771,990</u>	<u>123,384,172</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred charge on refunding	<u>2,153,646</u>		<u>2,153,646</u>
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	1,082,055	19,403	1,101,458
Accrued wages and benefits	102,758	13,266	116,024
Intergovernmental payable	1,203,779		1,203,779
Interest payable	807,570		807,570
Customer deposits payable	418,980		418,980
Compensated absences	144,093	8,796	152,889
Capital leases payable		93,593	93,593
Loans payable	290,521		290,521
Revenue bonds	2,995,560		2,995,560
Claims payable			
Total current liabilities	<u>7,045,316</u>	<u>135,058</u>	<u>7,180,374</u>
Noncurrent liabilities:			
Compensated absences	117,257	21,488	138,745
Loans payable	6,086,253		6,086,253
Revenue bonds	37,815,683		37,815,683
Total noncurrent liabilities	<u>44,019,193</u>	<u>21,488</u>	<u>44,040,681</u>
Total liabilities	<u>51,064,509</u>	<u>156,546</u>	<u>51,221,055</u>
<u>NET POSITION</u>			
Net investment in capital assets	49,702,006	3,073,555	52,775,561
Unrestricted	20,999,313	541,889	21,541,202
Total net position	<u>\$ 70,701,319</u>	<u>\$ 3,615,444</u>	<u>\$ 74,316,763</u>

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

Governmental
Activities:
Internal Service
Funds

\$ 876,496

876,496

876,496

111,484

95,555

207,039

207,039

669,457

\$ 669,457

TOWN OF ORO VALLEY, ARIZONA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Enterprise Funds		
	Water	Non-Major Enterprise Funds	Totals
Operating revenues:			
Charges for services	\$ 15,485,234	\$ 759,405	\$ 16,244,639
Other	11,831	23	11,854
Self insurance premiums			
Total operating revenues	<u>15,497,065</u>	<u>759,428</u>	<u>16,256,493</u>
Operating expenses:			
Costs of sales and services	8,459,541	616,838	9,076,379
Depreciation and amortization	3,120,762	132,200	3,252,962
Claims payments			
Administrative fees			
Reinsurance premiums			
Total operating expenses	<u>11,580,303</u>	<u>749,038</u>	<u>12,329,341</u>
Operating income (loss)	<u>3,916,762</u>	<u>10,390</u>	<u>3,927,152</u>
Nonoperating revenues (expenses):			
Development impact fees	2,376,682		2,376,682
Connection fees	1,413,047		1,413,047
Investment earnings	110,615	1,201	111,816
Interest expense	(1,992,374)		(1,992,374)
Total nonoperating revenues (expenses)	<u>1,907,970</u>	<u>1,201</u>	<u>1,909,171</u>
Income (loss) before capital contributions and transfers	<u>5,824,732</u>	<u>11,591</u>	<u>5,836,323</u>
Capital contributions	179,675		179,675
Transfers out	(3,178)		(3,178)
Changes in net position	<u>6,001,229</u>	<u>11,591</u>	<u>6,012,820</u>
Total net position, beginning of year	64,700,090	3,603,853	68,303,943
Total net position, end of year	<u>\$ 70,701,319</u>	<u>\$ 3,615,444</u>	<u>\$ 74,316,763</u>

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

Governmental
Activities:
Internal Service
Funds

\$ 1,268,842
81,000
2,193,293
3,543,135

1,280,321

1,679,860
57,000
423,899
3,441,080

102,055

102,055

102,055

567,402

\$ 669,457

**TOWN OF ORO VALLEY, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	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	\$ 15,907,195	\$ 751,439	\$ 16,658,634	\$ 1,349,842
Cash received from premiums				2,193,293
Cash payments to suppliers for goods and services	(5,203,380)	(72,744)	(5,276,124)	(1,620,494)
Cash payments to employees for services	(2,634,312)	(534,953)	(3,169,265)	(75,786)
Cash payments for claims				(1,671,439)
Net cash provided by operating activities	8,069,503	143,742	8,213,245	175,416
Cash flows from noncapital and related financing activities:				
Interfund transfers	(3,178)		(3,178)	
Connection fees	1,413,047		1,413,047	
Net cash provided by noncapital financing activities	1,409,869		1,409,869	
Cash flows from capital and related financing activities:				
Development impact fees	2,376,682		2,376,682	
Acquisition of capital assets	(3,142,189)	(46,257)	(3,188,446)	
Proceeds from loans	1,078,442		1,078,442	
Principal paid on long-term debt	(2,682,709)	(91,714)	(2,774,423)	
Interest on long-term debt	(1,609,572)		(1,609,572)	
Net cash used for capital and related financing activities	(3,979,346)	(137,971)	(4,117,317)	
Cash flows from investing activities:				
Investment income	110,615	1,201	111,816	
Net cash provided by investing activities	110,615	1,201	111,816	
Net increase in cash and cash equivalents	5,610,641	6,972	5,617,613	175,416
Cash and cash equivalents, beginning of year	16,828,140	509,768	17,337,908	701,080
Cash and cash equivalents, end of year	\$ 22,438,781	\$ 516,740	\$ 22,955,521	\$ 876,496
<u>Reconciliation of Operating Income to</u>				
<u>Net Cash Provided by Operating Activities</u>				
Operating income (loss)	\$ 3,916,762	\$ 10,390	\$ 3,927,152	\$ 102,055
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation and amortization	3,120,762	132,200	3,252,962	
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	269,592	(7,989)	261,603	
Increase in prepaid items	(2,000)		(2,000)	
Increase in accounts payable	598,266	2,437	600,703	64,940
Increase in claims payable				8,421
Increase (decrease) in accrued payroll and employee benefits	6,349	(5,708)	641	
Increase in compensated absences payable	19,234	12,412	31,646	
Increase in deposits held for others	140,538		140,538	
Total adjustments	4,152,741	133,352	4,286,093	73,361
Net cash provided by operating activities	\$ 8,069,503	\$ 143,742	\$ 8,213,245	\$ 175,416
<u>Non-cash capital and financing activities</u>				
Contribution of assets from developers	\$ 179,675		\$ 179,675	

TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Oro Valley, Arizona (Town) 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, 2014, the Town implemented the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

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, 2014

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 Excise Tax Refunding Bonds, Series 2007. The activity of the 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 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, franchise 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, 2014

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. Unearned 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, 2014

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.

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.

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.

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.

**TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

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

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 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.

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

TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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

I. Deferred Outflows/Inflows of Resources

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

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

J. 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.

K. 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.

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.

**TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

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

L. 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.

M. Net Position Flow Assumption

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

N. 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.

O. New Accounting Pronouncement

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* will be effective for the Town's June 30, 2015 fiscal year end. This Statement replaces the requirements of prior GASB standards for pensions accounting and reporting. This Statement requires governments providing defined benefit pensions to recognize the long-term obligation for pension benefits as a liability, and to more comprehensively and comparably measure the annual costs of pension benefits. Each employer participating in a multiple-employer defined benefit pension plan will be required to record a liability representing their "proportionate share" of the plan's total net pension liability. This Statement also enhances accountability and transparency through revised note disclosures and new required supplementary information.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Excess Expenditures Over Budget – At year end, the Town had expenditures in a fund that exceeded the budget, however, this does not constitute a violation of any legal provisions.

TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 3 – 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.

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. The committed fund balance reported in the Townwide Facilities Projects Fund is used for improvements to Town parks.

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. The assigned fund balance in the General Government CIP Fund is to be used for governmental capital asset projects.

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.

**TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 3 – FUND BALANCE CLASSIFICATIONS (Concl'd)

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.

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	Non-Major Governmental Funds
Fund Balances:			
Restricted:			
Debt service	\$	\$	\$ 534,209
Capital projects			3,136,958
Public safety			883,971
Committed		4,175,161	1,168,345
Assigned			
Compensated absences	1,410,644		
Unemployment claims	197,391		
Townwide capital			1,500,000
Unassigned	9,925,988		
Total fund balances	\$ 11,534,023	\$ 4,175,161	\$ 7,223,483

NOTE 4 – 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.

**TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 4 – CASH AND INVESTMENTS (Cont'd)

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.

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 \$1,839,158 and the bank balance was \$2,194,227. At year end \$475,522 of the Town's deposits were uninsured and uncollateralized.

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

Investment Type	Fair Value	Investments Maturities (in Years)	
		Less than 1	1-5
Money Market - U.S. Treasuries	\$ 4,707,028	\$ 4,707,028	\$
Municipal Securities	630,173	400,000	230,173
Commercial Paper	1,448,807	1,448,807	
U.S. Treasury Bonds/Notes	27,104,562	2,741,985	24,362,577
U.S. Agencies Bonds/Notes	5,684,182	1,253,448	4,430,734
		<u>\$ 10,551,268</u>	<u>\$ 29,023,484</u>
County Treasurer's investment pool	1,091,239	268 days average maturities	
State Treasurer's investment pool 5	4,286,040	34 days average maturities	
Total	<u>\$44,952,031</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.

**TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 4 – CASH AND INVESTMENTS (Concl'd)

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.

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 FNMA notes, which make up 9 percent of the Town's total investments.

NOTE 5 – 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.

	General Fund	HURF Fund	Non-Major Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Intergovernmental receivables:			
Due from Federal government	\$ 132,685	\$	\$
Due from State government	303,092	251,581	
Due from other governments			1,063,979
Net intergovernmental receivables	<u>\$ 435,777</u>	<u>\$ 251,581</u>	<u>\$ 1,063,979</u>

TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 6 – CAPITAL ASSETS

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

Governmental Activities	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 18,878,468	\$	\$	\$18,878,468
Construction in progress	9,943,494	1,659,225	9,749,066	1,853,653
Total capital assets, not being depreciated	<u>28,821,962</u>	<u>1,659,225</u>	<u>9,749,066</u>	<u>20,732,121</u>
Capital assets, being depreciated:				
Infrastructure	153,945,765	12,008,909		165,954,674
Buildings and improvements	26,549,988	203,754	1,735,354	25,018,388
Machinery, equipment, and vehicles	11,500,475	1,949,564	596,183	12,853,856
Total capital assets being depreciated	<u>191,996,228</u>	<u>14,162,227</u>	<u>2,331,537</u>	<u>203,826,918</u>
Less accumulated depreciation for:				
Infrastructure	(61,125,798)	(6,240,750)		(67,366,548)
Buildings and improvements	(5,541,885)	(768,054)	(1,323,446)	(4,986,493)
Machinery, equipment, and vehicles	(8,047,670)	(1,101,123)	(540,660)	(8,608,133)
Total accumulated depreciation	<u>(74,715,353)</u>	<u>(8,109,927)</u>	<u>(1,864,106)</u>	<u>(80,961,174)</u>
Total capital assets, being depreciated, net	<u>117,280,875</u>	<u>6,052,300</u>	<u>467,431</u>	<u>122,865,744</u>
Governmental activities capital assets, net	<u>\$ 146,102,837</u>	<u>\$ 7,711,525</u>	<u>\$ 10,216,497</u>	<u>\$ 143,597,865</u>
Business-Type Activities	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 2,410,660	\$	\$	\$ 2,410,660
Water rights	8,534,490			8,534,490
Construction in progress		1,297,414		1,297,414
Total capital assets, not being depreciated	<u>10,945,150</u>	<u>1,297,414</u>		<u>12,242,564</u>
Capital assets, being depreciated:				
Water system	112,874,420	2,047,755		114,922,175
Stormwater system	2,779,503			2,779,503
Equipment and vehicles	4,387,633	86,479	6,237	4,467,875
Total capital assets being depreciated	<u>120,041,556</u>	<u>2,134,234</u>	<u>6,237</u>	<u>122,169,553</u>
Less accumulated depreciation for:				
Water system	(30,037,158)	(2,861,782)		(32,898,940)
Stormwater system	(191,936)	(59,291)		(251,227)
Equipment and vehicles	(2,845,876)	(197,280)	(2,838)	(3,040,318)
Total accumulated depreciation	<u>(33,074,970)</u>	<u>(3,118,353)</u>	<u>(2,838)</u>	<u>(36,190,485)</u>
Total capital assets, being depreciated, net	<u>86,966,586</u>	<u>(984,119)</u>	<u>3,399</u>	<u>85,979,068</u>
Business-type activities capital assets, net	<u>\$ 97,911,736</u>	<u>\$ 313,295</u>	<u>\$ 3,399</u>	<u>\$ 98,221,632</u>

TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 6 – CAPITAL ASSETS (Concl'd)

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 616,787
Public Safety	428,787
Highways and streets	6,493,924
Culture and recreation	<u>570,429</u>
Total depreciation expense – governmental activities	<u>\$8,109,927</u>
Business-type activities:	
Water	\$2,986,153
Stormwater	<u>132,200</u>
Total depreciation expense – business-type activities	<u>\$3,118,353</u>

Construction Commitments – As of year end, the Town was involved in several construction projects. The estimated cost to complete the construction projects is \$9.8 million.

NOTE 7 – LOANS PAYABLE

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

<u>Business-type activities:</u>	<u>Interest Rate (Including Fees)</u>	<u>Remaining Maturities</u>	<u>Outstanding Principal June 30, 2014</u>	<u>Due Within One Year</u>
WIFA Loan, 2007	2.04%	7/1/14-27	\$ 3,429,474	\$ 198,963
WIFA Loan, 2009	2.75%	7/1/14-29	1,868,858	91,558
WIFA Loan, 2014	2.65%	7/1/15-29	<u>1,078,442</u>	
Total			<u>\$ 6,376,774</u>	<u>\$ 290,521</u>

TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 7 – LOANS PAYABLE (Concl'd)

Principal and interest payments on the business-type activities loans payable at June 30, 2014 are summarized as follows.

Year ending June 30:	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 290,521	\$ 175,372
2016	353,524	284,851
2017	366,032	270,791
2018	378,986	253,208
2019	392,403	234,966
2020-24	2,180,635	876,506
2025-29	2,170,568	317,943
2030	244,105	4,273
Total	<u>\$ 6,376,774</u>	<u>\$ 2,417,910</u>

NOTE 8 – 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, 2014</u>	<u>Due Within One Year</u>
Governmental activities:					
Revenue Bonds, 2005	\$ 4,164,050	3.50-4.25%	7/1/14-25	\$ 2,884,350	\$ 194,300
Refunding Revenue Bonds, 2007	1,389,180	4.25-5.00%	7/1/14-26	1,259,700	10,140
Excise Tax Revenue Obligations, 2010	2,445,000	3.72-6.59%	7/1/14-27	2,050,000	135,000
Revenue Bonds, 2012	2,580,000	2.00-4.00%	7/1/14-27	2,465,000	140,000
Total				<u>\$ 8,659,050</u>	<u>\$ 479,440</u>

TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 8 – 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
2015	\$ 479,440	\$ 367,991
2016	530,920	350,711
2017	539,960	330,665
2018	554,000	308,392
2019	581,390	283,392
2020-24	3,486,740	973,749
2025-28	2,486,600	199,465
Total	<u>\$ 8,659,050</u>	<u>\$ 2,814,365</u>

Purpose	Original Amount Issued	Interest Rates	Remaining Maturities	Outstanding Principal June 30, 2014	Due Within One Year
Business-type activities:					
Revenue Bonds, 2005	\$ 2,050,950	3.50-4.25%	7/1/14-25	\$ 1,420,650	\$ 95,700
Refunding Revenue Bonds, 2007	16,420,820	4.25-5.00%	7/1/14-26	14,890,300	119,860
Refunding Revenue Bonds, 2012	16,595,000	2.00-5.00%	7/1/14-28	16,315,000	1,360,000
Refunding Revenue Bonds, 2013	6,355,000	1.45%	7/1/14-19	6,355,000	1,420,000
Total				<u>\$ 38,980,950</u>	<u>\$ 2,995,560</u>

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
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	3,323,610	1,047,297
2020-24	16,203,260	3,122,187
2025-29	7,018,400	631,658
Total	<u>\$ 38,980,950</u>	<u>\$ 9,913,344</u>

**TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 8 – BONDS PAYABLE (Concl'd)

Pledged revenues – governmental activities. The Town has pledged future sales (excise) tax revenues to repay outstanding revenue bonds and refunding revenue bonds of \$8.7 million as of June 30, 2014. 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 \$11.5 million. The current total sales tax revenues were \$14.3 million and the total principal and interest paid on the bonds was \$826,639, or 6% 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 \$39.0 million as of June 30, 2014. 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 \$48.9 million. The current total customer gross revenues were \$19.3 million and the total principal and interest paid on the bonds was \$3.8 million or 20% of gross revenues.

NOTE 9 – 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.

<u>Purpose</u>	<u>Original Amount Issued</u>	<u>Interest Rates</u>	<u>Remaining Maturities</u>	<u>Outstanding Principal June 30, 2014</u>	<u>Due Within One Year</u>
Governmental activities:					
Special assessments debt	\$3,945,000	4.30-5.00%	1/1/14-21	\$ 1,055,000	\$ 130,000
Total				<u>\$ 1,055,000</u>	<u>\$ 130,000</u>

TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 9 – SPECIAL ASSESSMENT BONDS (Concl'd)

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

Year ending June 30:	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 130,000	\$ 45,917
2016	135,000	40,152
2017	145,000	33,557
2018	150,000	26,520
2019	160,000	19,428
2020-21	335,000	15,948
Total	<u>\$ 1,055,000</u>	<u>\$ 181,522</u>

NOTE 10 – OBLIGATIONS UNDER CAPITAL LEASES

The governmental activities of the Town have acquired police motorcycles under the provisions of long-term lease agreements classified as 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 Federal Seizures and Forfeitures Fund are used to pay the capital lease obligations.

	<u>Governmental Activities</u>
Asset:	
Vehicles	\$ 212,895
Less: Accumulated depreciation	4,435
Total	<u>\$ 208,460</u>

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:	<u>Governmental Activities</u>
2015	\$ 45,453
2016	45,453
2017	45,453
2018	45,453
Total minimum lease payments	<u>181,812</u>
Less: amount representing interest	<u>12,818</u>
Present value of minimum lease payments	<u>\$ 168,994</u>
Due within one year	<u>\$ 40,400</u>

TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 10 – OBLIGATIONS UNDER CAPITAL LEASES (Concl'd)

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 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.

	Business-type Activities
Asset:	
Machinery, equipment, and vehicles	\$ 280,819
Less: Accumulated depreciation	35,210
Total	\$ 245,609

As of June 30, 2014, the future minimum lease obligation was \$95,512, less the amount representing interest of \$1,919, resulting in a net present value of \$93,593 to be paid during the fiscal year ended June 30, 2015.

NOTE 11 – 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	\$ 9,103,050	\$	\$ 444,000	\$ 8,659,050	\$ 479,440
Bond premium	52,693		8,315	44,378	
Total bonds payable	9,155,743		452,315	8,703,428	479,440
Special assessments payable	2,435,000		1,380,000	1,055,000	130,000
Capital leases payable		212,895	43,901	168,994	40,400
Compensated absences payable	1,732,605	1,616,152	1,586,210	1,762,547	1,374,787
Governmental activity long-term liabilities	\$ 13,323,348	\$ 1,829,047	\$ 3,462,426	\$ 11,689,969	\$ 2,024,627

**TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 11 – CHANGES IN LONG-TERM LIABILITIES (Concl'd)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type activities:					
Revenue bonds payable	\$ 41,386,950	\$	\$ 2,406,000	38,980,950	\$ 2,995,560
Bond premium	1,962,171		131,878	1,830,293	
Total bonds payable	<u>43,349,121</u>		<u>2,537,878</u>	<u>40,811,243</u>	<u>2,995,560</u>
Loan payable	5,575,041	1,078,442	276,709	6,376,774	290,521
Capital lease payable	185,307		91,714	93,593	93,593
Compensated absences payable	<u>259,988</u>	<u>311,461</u>	<u>279,815</u>	<u>291,634</u>	<u>152,889</u>
Business-type activities long-term liabilities	<u>\$ 49,369,457</u>	<u>\$ 1,389,903</u>	<u>\$ 3,186,116</u>	<u>\$ 47,573,244</u>	<u>\$ 3,532,563</u>

NOTE 12 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund transfers:

<u>Transfers out</u>	<u>Transfers in</u>		
	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total</u>
General Fund	\$	\$ 3,260,729	\$ 3,260,729
Non-Major Governmental Funds	185,000	666,245	851,245
Water Fund		3,178	3,178
Total	<u>\$185,000</u>	<u>\$ 3,930,152</u>	<u>\$ 4,115,152</u>

Transfers were made from the General, Bed Tax, Aquatic Center Project, and Water Funds to the Municipal Debt Service Fund for debt service. In addition, transfers were made from the General Fund and the Bed Tax Fund to the Townwide Facilities Projects Fund for Naranja Park improvements and from the General Fund to the General Government CIP Fund to fund capital projects for the upcoming fiscal year, 2014-15. 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 13 – 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, 2014**

NOTE 14 – 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 monthly claims lag summary reports. 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
2013-14	\$ 87,134	\$ 1,592,726	\$ 1,584,305	\$ 95,555
2012-13	- 0 -	1,402,981	1,315,847	87,134

**TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 15 – 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, 2014**

NOTE 15 – 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 11.54 percent (11.30 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 11.54 percent (10.70 percent for retirement, 0.60 percent for health insurance premium, and 0.24 percent for long-term disability) of the members’ annual covered payroll.

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

	Retirement Fund	Health Benefit Supplement Fund	Long-Term Disability Fund
Year ending June 30:			
2014	\$ 1,102,466	\$ 61,821	\$ 24,728
2013	1,089,376	69,082	25,507
2012	924,771	59,028	22,487

Agent plan – For the current fiscal year, active PSPRS and CORP members were required by statute to contribute 10.35 and 7.96 percent of the members’ annual covered payroll, and the Town was required to contribute at the actuarially determined rate of 20.33 and 16.29 percent. The health insurance premium portion of the contribution rate was actuarially set at 1.14 percent of covered payroll for PSPRS and 0.91 percent for CORP.

**TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 15 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Cont'd)

Actuarial methods and assumptions – The contribution requirements for the year ended June 30, 2014 were established by the June 30, 2012 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	20.33%	16.29%
Plan members	10.35%	7.96%
Actuarial valuation date	June 30, 2012	June 30, 2012
Actuarial cost method	Entry age normal	Entry age normal
Actuarial assumptions:		
Investment rate of return	8.00%	8.00%
Projected salary increases	5.0% - 9.0%	5.0% - 8.25%
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	24 years for underfunded , 20 years for overfunded	24 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	\$ 1,224,229	\$ 72,727	\$ 63,179	\$ 3,738
Contributions made	1,224,229	72,727	63,179	3,738

**TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 15– 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>			
2014	\$1,224,229	100%	-0-
2013	1,031,650	100%	-0-
2012	914,787	100%	-0-
<i>Health Insurance</i>			
2014	\$ 72,727	100%	-0-
2013	79,540	100%	-0-
2012	40,410	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>			
2014	\$63,179	100%	-0-
2013	44,936	100%	-0-
2012	40,512	100%	-0-
<i>Health Insurance</i>			
2014	\$ 3,738	100%	-0-
2013	3,849	100%	-0-
2012	2,051	100%	-0-

TOWN OF ORO VALLEY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 15 – 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):

Valuation Date <u>June 30,</u>	Actuarial Value of Plan Assets <u>(a)</u>	Actuarial Accrued Liability <u>(b)</u>	Funding Liability <u>(a-b)</u>	Funded Ratio <u>(a/b)</u>	Annual Covered Payroll <u>(c)</u>	Unfunded Liability as Percentage of Covered Payroll <u>([a-b]/c)</u>
<i>Pension</i>						
2013	\$23,173,423	\$30,759,243	\$(7,585,820)	75.3%	\$6,048,143	125.42%
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%
<i>Health Insurance</i>						
2013	\$ -0-	\$ 896,558	\$ (896,558)	0.0%	\$6,048,143	14.82%
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%

Oro Valley Dispatchers Plan (CORP):

Valuation Date <u>June 30,</u>	Actuarial Value of Plan Assets <u>(a)</u>	Actuarial Accrued Liability <u>(b)</u>	Funding Liability <u>(a-b)</u>	Funded Ratio <u>(a/b)</u>	Annual Covered Payroll <u>(c)</u>	Unfunded Liability as Percentage of Covered Payroll <u>[a-b]/c)</u>
<i>Pension</i>						
2013	\$1,229,237	\$1,974,876	\$(745,639)	62.2%	\$ 405,564	183.85%
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%
<i>Health Insurance</i>						
2013	\$ -0-	\$ 66,776	\$ (66,776)	0.0%	\$ 405,564	16.46%
2012	-0-	62,245	(62,245)	0.0%	451,808	13.78%
2011	-0-	61,474	(61,474)	0.0%	477,701	12.87%

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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, 2014

	<u>Budgeted Amounts</u>		<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original & Final</u>	<u>Actual</u>	
Revenues:			
Sales taxes	\$ 12,623,382	\$ 13,044,990	\$ 421,608
Franchise taxes	500,000	571,731	71,731
Intergovernmental	11,775,357	11,544,290	(231,067)
Licenses, fees & permits	1,493,455	2,069,443	575,988
Fines, forfeitures & penalties	190,000	198,084	8,084
Charges for services	1,443,437	1,720,689	277,252
Investment earnings	62,275	197,753	135,478
Other	114,000	165,119	51,119
Total revenues	<u>28,201,906</u>	<u>29,512,099</u>	<u>1,310,193</u>
Expenditures:			
Current -			
General government	10,378,686	10,127,193	251,493
Public safety	14,223,297	13,393,183	830,114
Highway and streets	1,243,575	1,275,093	(31,518)
Culture and recreation	2,536,955	2,445,131	91,824
Capital outlay	765,000	798,852	(33,852)
Total expenditures	<u>29,147,513</u>	<u>28,039,452</u>	<u>1,108,061</u>
Excess (deficiency) of revenues over expenditures	<u>(945,607)</u>	<u>1,472,647</u>	<u>2,418,254</u>
Other financing sources (uses):			
Transfers in	185,000	185,000	
Transfers out	(162,729)	(3,260,729)	(3,098,000)
Total other financing sources (uses):	<u>22,271</u>	<u>(3,075,729)</u>	<u>(3,098,000)</u>
Changes in fund balances	<u>(923,336)</u>	<u>(1,603,082)</u>	<u>(679,746)</u>
Fund balances, beginning of year	923,336	13,137,105	12,213,769
Fund balances, end of year	<u>\$</u>	<u>\$ 11,534,023</u>	<u>\$ 11,534,023</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, 2014

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	<u>Original & Final</u>	<u>Actual</u>	<u>(Negative)</u>
Revenues:			
Sales taxes	\$ 1,077,197	\$ 1,227,468	\$ 150,271
Intergovernmental	2,535,000	2,714,257	179,257
Licenses, fees & permits	48,000	47,257	(743)
Charges for services	129,493	129,492	(1)
Investment earnings	7,000	38,666	31,666
Other	10,000	20,345	10,345
Total revenues	<u>3,806,690</u>	<u>4,177,485</u>	<u>370,795</u>
Expenditures:			
Current -			
Highway and streets	6,573,318	2,435,484	4,137,834
Capital outlay		1,084,605	(1,084,605)
Total expenditures	<u>6,573,318</u>	<u>3,520,089</u>	<u>3,053,229</u>
Changes in fund balances	<u>(2,766,628)</u>	<u>657,396</u>	<u>3,424,024</u>
Fund balances, beginning of year	2,766,628	3,517,765	751,137
Fund balances, end of year	<u>\$</u>	<u>\$ 4,175,161</u>	<u>\$ 4,175,161</u>

See accompanying notes to this schedule.

TOWN OF ORO VALLEY, ARIZONA
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2014

NOTE 1 – BUDGETARY BASIS OF ACCOUNTING

The Town budget is prepared on a basis consistent with accounting principles generally accepted in the United States of America.

**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, 2014

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 1,367,443	\$ 586,968	\$ 4,949,601
Intergovernmental receivable			1,063,979
Special assessments		1,055,000	
Prepaid items	4,054		
Total assets	\$ 1,371,497	\$ 1,641,968	\$ 6,013,580
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 62,427	\$ 52,759	\$ 633,376
Total liabilities	62,427	52,759	633,376
Deferred inflows of resources:			
Unavailable revenues - special assessments		1,055,000	
Fund balances:			
Restricted	883,971	534,209	3,136,958
Committed	425,099		743,246
Assigned			1,500,000
Total fund balances	1,309,070	534,209	5,380,204
Total liabilities, deferred inflows of resources and fund balances	\$ 1,371,497	\$ 1,641,968	\$ 6,013,580

Total Non-Major
Governmental
Fund

\$	6,904,012
	1,063,979
	1,055,000
	4,054
\$	<u>9,027,045</u>

\$	<u>748,562</u>
	748,562

	<u>1,055,000</u>
--	------------------

	4,555,138
	1,168,345
	<u>1,500,000</u>
	<u>7,223,483</u>

\$	<u>9,027,045</u>
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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, 2014

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Revenues:			
Sales taxes	\$ 1,013,543	\$	\$
Development impact fees			569,338
Special assessments		1,462,307	
Intergovernmental		68,988	2,405,096
Fines, forfeitures & penalties	475,252		
Investment earnings	14,647	40	4,596
Other	5,000	92,375	22,650
Total revenues	<u>1,508,442</u>	<u>1,623,710</u>	<u>3,001,680</u>
Expenditures:			
Current -			
General government	483,480		
Public safety	146,139		
Capital outlay	610,069		3,001,659
Debt service -			
Principal retirement	43,901	1,824,000	
Interest and fiscal charges	1,552	470,716	
Total expenditures	<u>1,285,141</u>	<u>2,294,716</u>	<u>3,001,659</u>
Excess (deficiency) of revenues over expenditures	<u>223,301</u>	<u>(671,006)</u>	<u>21</u>
Other financing sources (uses):			
Capital lease agreements	212,895		
Transfers in		430,152	3,500,000
Transfers out	(790,669)		(60,576)
Total other financing sources (uses):	<u>(577,774)</u>	<u>430,152</u>	<u>3,439,424</u>
Changes in fund balances	<u>(354,473)</u>	<u>(240,854)</u>	<u>3,439,445</u>
Fund balances, beginning of year	1,663,543	775,063	1,940,759
Fund balances, end of year	<u>\$ 1,309,070</u>	<u>\$ 534,209</u>	<u>\$ 5,380,204</u>

Total Non-
Major
Governmental
Funds

\$ 1,013,543
569,338
1,462,307
2,474,084
475,252
19,283
120,025
6,133,832

483,480
146,139
3,611,728

1,867,901
472,268
6,581,516

(447,684)

212,895
3,930,152
(851,245)

3,291,802

2,844,118

4,379,365

\$ 7,223,483

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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, 2014

	<u>State Seizures and Forfeitures</u>	<u>Federal Seizures and Forfeitures</u>	<u>Bed Tax</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 532,733	\$ 349,724	\$ 477,631
Prepaid items			4,054
Total assets	<u>\$ 532,733</u>	<u>\$ 349,724</u>	<u>\$ 481,685</u>
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 5,832	\$	\$ 56,586
Total liabilities	<u>5,832</u>	<u></u>	<u>56,586</u>
Fund balances:			
Restricted	526,901	349,724	
Committed			425,099
Total fund balances	<u>526,901</u>	<u>349,724</u>	<u>425,099</u>
 Total liabilities and fund balances	 <u>\$ 532,733</u>	 <u>\$ 349,724</u>	 <u>\$ 481,685</u>

<u>Impound Fee</u>	<u>Totals</u>
\$ 7,355	\$ 1,367,443
	4,054
<u>\$ 7,355</u>	<u>\$ 1,371,497</u>

<u>\$ 9</u>	<u>\$ 62,427</u>
9	62,427

7,346	883,971
	425,099
<u>7,346</u>	<u>1,309,070</u>
<u>\$ 7,355</u>	<u>\$ 1,371,497</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, 2014

	<u>State Seizures and Forfeitures</u>	<u>Federal Seizures and Forfeitures</u>	<u>Bed Tax</u>
Revenues:			
Sales taxes	\$	\$	\$ 1,013,543
Fines, forfeitures & penalties	129,362	314,090	
Investment earnings	3,352	4,097	7,198
Other			5,000
Total revenues	<u>132,714</u>	<u>318,187</u>	<u>1,025,741</u>
Expenditures:			
Current -			
General government			459,026
Public safety	63,023	83,116	
Capital outlay	37,627	572,442	
Debt service -			
Principal retirement		43,901	
Interest and fiscal charges		1,552	
Total expenditures	<u>100,650</u>	<u>701,011</u>	<u>459,026</u>
Excess (deficiency) of revenues over expenditures	<u>32,064</u>	<u>(382,824)</u>	<u>566,715</u>
Other financing sources (uses):			
Capital lease agreements		212,895	
Transfers out			(790,669)
Total other financing sources (uses):		<u>212,895</u>	<u>(790,669)</u>
Changes in fund balances	<u>32,064</u>	<u>(169,929)</u>	<u>(223,954)</u>
Fund balances, beginning of year	494,837	519,653	649,053
Fund balances, end of year	<u>\$ 526,901</u>	<u>\$ 349,724</u>	<u>\$ 425,099</u>

<u>Impound Fee</u>	<u>Totals</u>
\$ 31,800	\$ 1,013,543
	475,252
	14,647
	5,000
<u>31,800</u>	<u>1,508,442</u>
24,454	483,480
	146,139
	610,069
	43,901
	1,552
<u>24,454</u>	<u>1,285,141</u>
<u>7,346</u>	<u>223,301</u>
	212,895
	(790,669)
	<u>(577,774)</u>
<u>7,346</u>	<u>(354,473)</u>
	1,663,543
<u>\$ 7,346</u>	<u>\$ 1,309,070</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, 2014

	State Seizures and Forfeitures		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Sales taxes	\$	\$	\$
Fines, forfeitures & penalties	175,000	129,362	(45,638)
Investment earnings		3,352	3,352
Other			
Total revenues	<u>175,000</u>	<u>132,714</u>	<u>(42,286)</u>
Expenditures:			
Current -			
General government			
Public safety	525,354	63,023	462,331
Capital outlay		37,627	(37,627)
Debt service -			
Principal retirement			
Interest and fiscal charges			
Total expenditures	<u>525,354</u>	<u>100,650</u>	<u>424,704</u>
Excess (deficiency) of revenues over expenditures	<u>(350,354)</u>	<u>32,064</u>	<u>382,418</u>
Other financing sources (uses):			
Transfers out			
Total other financing sources (uses):			
Changes in fund balances	<u>(350,354)</u>	<u>32,064</u>	<u>382,418</u>
Fund balances, beginning of year	350,354	494,837	144,483
Fund balances, end of year	<u>\$</u>	<u>\$</u> 526,901	<u>\$</u> 526,901

Federal Seizures and Forfeitures			Bed Tax		
Budget	Non-GAAP Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$ 250,000	\$ 314,090	\$ 64,090	\$ 789,000	\$ 1,013,543	\$ 224,543
	4,097	4,097	3,975	7,198	3,223
				5,000	5,000
<u>250,000</u>	<u>318,187</u>	<u>68,187</u>	<u>792,975</u>	<u>1,025,741</u>	<u>232,766</u>
508,867	83,116	425,751	997,807	459,026	538,781
	359,547	(359,547)			
	43,901	(43,901)			
	1,552	(1,552)			
<u>508,867</u>	<u>488,116</u>	<u>20,751</u>	<u>997,807</u>	<u>459,026</u>	<u>538,781</u>
<u>(258,867)</u>	<u>(169,929)</u>	<u>88,938</u>	<u>(204,832)</u>	<u>566,715</u>	<u>771,547</u>
			(390,669)	(790,669)	(400,000)
			<u>(390,669)</u>	<u>(790,669)</u>	<u>(400,000)</u>
<u>(258,867)</u>	<u>(169,929)</u>	<u>88,938</u>	<u>(595,501)</u>	<u>(223,954)</u>	<u>371,547</u>
258,867	519,653	260,786	595,501	649,053	53,552
<u>\$</u>	<u>\$ 349,724</u>	<u>\$ 349,724</u>	<u>\$</u>	<u>\$ 425,099</u>	<u>\$ 425,099</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, 2014

	Impound Fee		Variance - Positive (Negative)
	Budget	Actual	
Revenues:			
Sales taxes	\$	\$	\$
Fines, forfeitures & penalties	47,500	31,800	(15,700)
Investment earnings			
Other			
Total revenues	<u>47,500</u>	<u>31,800</u>	<u>(15,700)</u>
Expenditures:			
Current -			
General government	47,500	24,454	23,046
Public safety			
Capital outlay			
Debt service -			
Principal retirement			
Interest and fiscal charges			
Total expenditures	<u>47,500</u>	<u>24,454</u>	<u>23,046</u>
Excess (deficiency) of revenues over expenditures		<u>7,346</u>	<u>7,346</u>
Other financing sources (uses):			
Transfers out			
Total other financing sources (uses):			
Changes in fund balances		<u>7,346</u>	<u>7,346</u>
Fund balances, beginning of year			
Fund balances, end of year	<u>\$</u>	<u>\$ 7,346</u>	<u>\$ 7,346</u>

Totals		
Budget	Non-GAAP Actual	Variance - Positive (Negative)
\$ 789,000	\$ 1,013,543	\$ 224,543
472,500	475,252	2,752
3,975	14,647	10,672
	5,000	5,000
<u>1,265,475</u>	<u>1,508,442</u>	<u>242,967</u>
1,045,307	483,480	561,827
1,034,221	146,139	888,082
	397,174	(397,174)
	43,901	(43,901)
	1,552	(1,552)
<u>2,079,528</u>	<u>1,072,246</u>	<u>1,007,282</u>
<u>(814,053)</u>	<u>436,196</u>	<u>1,250,249</u>
<u>(390,669)</u>	<u>(790,669)</u>	<u>(400,000)</u>
<u>(390,669)</u>	<u>(790,669)</u>	<u>(400,000)</u>
<u>(1,204,722)</u>	<u>(354,473)</u>	<u>850,249</u>
1,204,722	1,663,543	458,821
<u>\$</u>	<u>\$ 1,309,070</u>	<u>\$ 1,309,070</u>

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MUNICIPAL DEBT SERVICE FUNDS

Municipal Debt Service - to account for the payments of debt service on the Series 2005 Excise Tax Revenue Obligations, the Series 2007 MPC Excise Tax Revenue Refunding Bonds, the Series 2010 Excise Tax Revenue Clean Renewable Energy Bonds (CREBs), and the Series 2012 Excise Tax Revenue Obligations.

Oracle Road Debt Service – to account for the special assessment collections and payment of the outstanding Oracle Road bond issue.

TOWN OF ORO VALLEY, ARIZONA
COMBINING BALANCE SHEET - NON-MAJOR DEBT SERVICE FUNDS
JUNE 30, 2014

	Municipal Debt Service	Oracle Road Debt Service	Totals
<u>ASSETS</u>			
Cash and cash equivalents	\$ 534,928	\$ 52,040	\$ 586,968
Special assessments		1,055,000	1,055,000
Total assets	\$ 534,928	\$ 1,107,040	\$ 1,641,968
 <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 1,000	\$ 51,759	\$ 52,759
Total liabilities	1,000	51,759	52,759
Deferred inflows of resources:			
Unavailable revenues - special assessments		1,055,000	1,055,000
Fund balances:			
Restricted	533,928	281	534,209
Total fund balances	533,928	281	534,209
 Total liabilities, deferred inflows of resources and fund balances	 \$ 534,928	 \$ 1,107,040	 \$ 1,641,968

TOWN OF ORO VALLEY, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NON-MAJOR DEBT SERVICE FUNDS
YEAR ENDED JUNE 30, 2014

	Municipal Debt Service	Oracle Road Debt Service	Totals
Revenues:			
Special assessments	\$	\$ 1,462,307	\$ 1,462,307
Intergovernmental	68,988		68,988
Investment earnings	40		40
Other	92,375		92,375
Total revenues	<u>161,403</u>	<u>1,462,307</u>	<u>1,623,710</u>
Expenditures:			
Debt service -			
Principal retirement	444,000	1,380,000	1,824,000
Interest and fiscal charges	388,541	82,175	470,716
Total expenditures	<u>832,541</u>	<u>1,462,175</u>	<u>2,294,716</u>
Excess (deficiency) of revenues over expenditures	<u>(671,138)</u>	<u>132</u>	<u>(671,006)</u>
Other financing sources (uses):			
Transfers in	430,152		430,152
Total other financing sources (uses):	<u>430,152</u>		<u>430,152</u>
Changes in fund balances	<u>(240,986)</u>	<u>132</u>	<u>(240,854)</u>
Fund balances, beginning of year	774,914	149	775,063
Fund balances, end of year	<u>\$ 533,928</u>	<u>\$ 281</u>	<u>\$ 534,209</u>

TOWN OF ORO VALLEY, ARIZONA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
NON-MAJOR DEBT SERVICE FUNDS
YEAR ENDED JUNE 30, 2014

	Municipal Debt Service		Variance - Positive (Negative)
	Budget	Actual	
Revenues:			
Special assessments	\$	\$	\$
Intergovernmental	70,677	68,988	(1,689)
Investment earnings		40	40
Other	83,000	92,375	9,375
Total revenues	<u>153,677</u>	<u>161,403</u>	<u>7,726</u>
Expenditures:			
Debt service -			
Principal retirement	444,000	444,000	
Interest and fiscal charges	929,416	388,541	540,875
Total expenditures	<u>1,373,416</u>	<u>832,541</u>	<u>540,875</u>
Excess (deficiency) of revenues over expenditures	<u>(1,219,739)</u>	<u>(671,138)</u>	<u>548,601</u>
Other financing sources (uses):			
Transfers in	369,576	430,152	60,576
Total other financing sources (uses):	<u>369,576</u>	<u>430,152</u>	<u>60,576</u>
Changes in fund balances	<u>(850,163)</u>	<u>(240,986)</u>	<u>609,177</u>
Fund balances, beginning of year	850,163	774,914	(75,249)
Fund balances, end of year	<u>\$</u> <u>533,928</u>	<u>\$</u> <u>533,928</u>	<u>\$</u> <u>533,928</u>

Oracle Road Debt Service			Totals		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$ 365,868	\$ 1,462,307	\$ 1,096,439	\$ 365,868	\$ 1,462,307	\$ 1,096,439
			70,677	68,988	(1,689)
				40	40
			83,000	92,375	9,375
<u>365,868</u>	<u>1,462,307</u>	<u>1,096,439</u>	<u>519,545</u>	<u>1,623,710</u>	<u>1,104,165</u>
368,740	1,380,000	(1,011,260)	812,740	1,824,000	(1,011,260)
	82,175	(82,175)	929,416	470,716	458,700
<u>368,740</u>	<u>1,462,175</u>	<u>(1,093,435)</u>	<u>1,742,156</u>	<u>2,294,716</u>	<u>(552,560)</u>
<u>(2,872)</u>	<u>132</u>	<u>3,004</u>	<u>(1,222,611)</u>	<u>(671,006)</u>	<u>551,605</u>
2,000		(2,000)	371,576	430,152	58,576
<u>2,000</u>		<u>(2,000)</u>	<u>371,576</u>	<u>430,152</u>	<u>58,576</u>
<u>(872)</u>	<u>132</u>	<u>1,004</u>	<u>(851,035)</u>	<u>(240,854)</u>	<u>610,181</u>
872	149	(723)	851,035	775,063	(75,972)
<u>\$</u>	<u>\$ 281</u>	<u>\$ 281</u>	<u>\$</u>	<u>\$ 534,209</u>	<u>\$ 534,209</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.

Townwide Roadway Development Impact Fees – to account for the collection and capital expenditures of the Townwide Roadway Development Impact Fees.

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.

General Government CIP – to account for governmental capital asset projects.

TOWN OF ORO VALLEY, ARIZONA
COMBINING BALANCE SHEET - NON-MAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2014

	Townwide Roadway Development Impact Fees	General Impact Fees	Townwide Facilities Projects
<u>ASSETS</u>			
Cash and cash equivalents	\$ 1,737,768	\$ 345,792	\$ 1,366,041
Intergovernmental receivable	1,063,979		
Total assets	\$ 2,801,747	\$ 345,792	\$ 1,366,041
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 10,581	\$	\$ 622,795
Total liabilities	10,581	\$	622,795
Fund balances:			
Restricted	2,791,166	345,792	
Committed			743,246
Assigned			
Total fund balances	2,791,166	345,792	743,246
 Total liabilities and fund balances	 \$ 2,801,747	 \$ 345,792	 \$ 1,366,041

<u>General Government CIP</u>	<u>Totals</u>
\$ 1,500,000	\$ 4,949,601
	1,063,979
<u>\$ 1,500,000</u>	<u>\$ 6,013,580</u>

<u>\$</u>	<u>\$ 633,376</u>
	633,376

	3,136,958
	743,246
<u>1,500,000</u>	<u>1,500,000</u>
<u>1,500,000</u>	<u>5,380,204</u>
<u>\$ 1,500,000</u>	<u>\$ 6,013,580</u>

TOWN OF ORO VALLEY, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NON-MAJOR CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2014

	Townwide Roadway Development Impact Fees	General Impact Fees	Townwide Facilities Projects
Revenues:			
Development impact fees	\$ 326,322	\$ 243,016	\$
Intergovernmental	2,405,096		
Investment earnings	3,382	1,039	175
Other	22,650		
Total revenues	2,757,450	244,055	175
Expenditures:			
Current -			
Capital outlay	1,427,721	295,937	1,271,939
Total expenditures	1,427,721	295,937	1,271,939
Excess (deficiency) of revenues over expenditures	1,329,729	(51,882)	(1,271,764)
Other financing sources (uses):			
Transfers in			2,000,000
Transfers out			
Total other financing sources (uses):			2,000,000
Changes in fund balances	1,329,729	(51,882)	728,236
Fund balances, beginning of year	1,461,437	397,674	15,010
Fund balances, end of year	\$ 2,791,166	\$ 345,792	\$ 743,246

Aquatic Center Project	General Government CIP	Totals
\$	\$	\$ 569,338
		2,405,096
		4,596
		22,650
		<u>3,001,680</u>
<u>6,062</u>		<u>3,001,659</u>
<u>6,062</u>		<u>3,001,659</u>
<u>(6,062)</u>		<u>21</u>
	1,500,000	3,500,000
<u>(60,576)</u>		<u>(60,576)</u>
<u>(60,576)</u>	<u>1,500,000</u>	<u>3,439,424</u>
<u>(66,638)</u>	<u>1,500,000</u>	<u>3,439,445</u>
66,638		1,940,759
<u>\$</u>	<u>\$ 1,500,000</u>	<u>\$ 5,380,204</u>

TOWN OF ORO VALLEY, ARIZONA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
NON-MAJOR CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2014

	Townwide Roadway Development Impact Fees		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Development impact fees	\$ 791,375	\$ 326,322	\$ (465,053)
Intergovernmental	3,650,000	2,405,096	(1,244,904)
Contributions and donations			
Investment earnings	1,500	3,382	1,882
Other	18,000	22,650	4,650
Total revenues	4,460,875	2,757,450	(1,703,425)
Expenditures:			
Current -			
Capital outlay	5,689,538	1,427,721	4,261,817
Total expenditures	5,689,538	1,427,721	4,261,817
Excess (deficiency) of revenues over expenditures	(1,228,663)	1,329,729	2,558,392
Other financing sources (uses):			
Transfers in			
Transfers out			
Total other financing sources (uses):			
Changes in fund balances	(1,228,663)	1,329,729	2,558,392
Fund balances, beginning of year	1,228,663	1,461,437	232,774
Fund balances, end of year	\$ 2,791,166	\$ 2,791,166	\$ 2,791,166

General Impact Fees			Townwide Facilities Projects		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$ 308,689	\$ 243,016	\$ (65,673)	\$	\$	\$
	1,039	1,039		175	175
<u>308,689</u>	<u>244,055</u>	<u>(64,634)</u>	<u></u>	<u>175</u>	<u>175</u>
638,349	295,937	342,412	25,174	1,271,939	(1,246,765)
<u>638,349</u>	<u>295,937</u>	<u>342,412</u>	<u>25,174</u>	<u>1,271,939</u>	<u>(1,246,765)</u>
(329,660)	(51,882)	277,778	(25,174)	(1,271,764)	(1,246,590)
				2,000,000	2,000,000
				<u>2,000,000</u>	<u>2,000,000</u>
(329,660)	(51,882)	277,778	(25,174)	728,236	753,410
329,660	397,674	68,014	25,174	15,010	(10,164)
<u>\$</u>	<u>\$ 345,792</u>	<u>\$ 345,792</u>	<u>\$</u>	<u>\$ 743,246</u>	<u>\$ 743,246</u>

TOWN OF ORO VALLEY, ARIZONA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
NON-MAJOR CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2014

	Aquatic Center Project		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Development impact fees	\$	\$	\$
Intergovernmental			
Contributions and donations	30,000		(30,000)
Investment earnings			
Other			
Total revenues	<u>30,000</u>	<u></u>	<u>(30,000)</u>
Expenditures:			
Current -			
Capital outlay	42,114	6,062	36,052
Total expenditures	<u>42,114</u>	<u>6,062</u>	<u>36,052</u>
Excess (deficiency) of revenues over expenditures	<u>(12,114)</u>	<u>(6,062)</u>	<u>6,052</u>
Other financing sources (uses):			
Transfers in			
Transfers out		(60,576)	(60,576)
Total other financing sources (uses):		<u>(60,576)</u>	<u>(60,576)</u>
Changes in fund balances	<u>(12,114)</u>	<u>(66,638)</u>	<u>(54,524)</u>
Fund balances, beginning of year	12,114	66,638	54,524
Fund balances, end of year	<u>\$</u>	<u>\$</u>	<u>\$</u>

General Government CIP			Totals		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$	\$	\$ 1,100,064	\$ 569,338	\$ (530,726)
			3,650,000	2,405,096	(1,244,904)
			30,000		(30,000)
			1,500	4,596	3,096
			18,000	22,650	4,650
			4,799,564	3,001,680	(1,797,884)
			6,395,175	3,001,659	3,393,516
			6,395,175	3,001,659	3,393,516
			(1,595,611)	21	1,595,632
	1,500,000	1,500,000		3,500,000	3,500,000
				(60,576)	(60,576)
	1,500,000	1,500,000		3,439,424	3,439,424
	1,500,000	1,500,000	(1,595,611)	3,439,445	5,035,056
			1,595,611	1,940,759	345,148
\$	\$ 1,500,000	\$ 1,500,000	\$	\$ 5,380,204	\$ 5,380,204

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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, 2014**

	<u>Fleet Maintenance</u>	<u>Self Insurance</u>	<u>Totals</u>
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	\$ 182,554	\$ 693,942	\$ 876,496
Total current assets	<u>182,554</u>	<u>693,942</u>	<u>876,496</u>
Total assets	<u>182,554</u>	<u>693,942</u>	<u>876,496</u>
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	97,606	13,878	111,484
Claims payable		<u>95,555</u>	<u>95,555</u>
Total current liabilities	<u>97,606</u>	<u>109,433</u>	<u>207,039</u>
Total liabilities	<u>97,606</u>	<u>109,433</u>	<u>207,039</u>
<u>NET POSITION</u>			
Unrestricted	84,948	584,509	669,457
Total net position	<u>\$ 84,948</u>	<u>\$ 584,509</u>	<u>\$ 669,457</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, 2014

	Fleet Maintenance	Self Insurance	Totals
Operating revenues:			
Charges for services	\$ 1,268,842	\$	\$ 1,268,842
Other	61,000	20,000	81,000
Self insurance premiums		2,193,293	2,193,293
Total operating revenues	<u>1,329,842</u>	<u>2,213,293</u>	<u>3,543,135</u>
Operating expenses:			
Costs of sales and services	1,244,894	35,427	1,280,321
Claims payments		1,679,860	1,679,860
Administrative fees		57,000	57,000
Reinsurance premiums		423,899	423,899
Total operating expenses	<u>1,244,894</u>	<u>2,196,186</u>	<u>3,441,080</u>
Operating income (loss)	<u>84,948</u>	<u>17,107</u>	<u>102,055</u>
Changes in net position	<u>84,948</u>	<u>17,107</u>	<u>102,055</u>
Total net position, beginning of year		567,402	567,402
Total net position, end of year	<u>\$ 84,948</u>	<u>\$ 584,509</u>	<u>\$ 669,457</u>

**TOWN OF ORO VALLEY, ARIZONA
COMBINING STATEMENT OF CASH FLOWS
ALL INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	Fleet Maintenance	Self Insurance	Total
<u>Increase (Decrease) in Cash and Cash Equivalents</u>			
Cash flows from operating activities:			
Cash received from customers	\$ 1,329,842	\$ 20,000	\$ 1,349,842
Cash received from premiums		2,193,293	2,193,293
Cash payments to suppliers for goods and services	(1,103,796)	(516,698)	(1,620,494)
Cash payments to employees for services	(75,786)		(75,786)
Cash payments for claims		(1,671,439)	(1,671,439)
	150,260	25,156	175,416
Net cash provided by operating activities	150,260	25,156	175,416
Net increase in cash and cash equivalents	150,260	25,156	175,416
Cash and cash equivalents, beginning of year	32,294	668,786	701,080
Cash and cash equivalents, end of year	\$ 182,554	\$ 693,942	\$ 876,496
 <u>Reconciliation of Operating Income to</u>			
<u>Net Cash Provided by Operating Activities</u>			
Operating income	\$ 84,948	\$ 17,107	\$ 102,055
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:			
Change in assets and liabilities:			
Increase (decrease) in accounts payable	65,312	(372)	64,940
Increase in claims payable		8,421	8,421
	65,312	8,049	73,361
Total adjustments	65,312	8,049	73,361
Net cash provided by operating activities	\$ 150,260	\$ 25,156	\$ 175,416

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									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities										
Net investment in capital assets	\$ 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	\$ 133,714,821
Restricted	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	4,555,138
Unrestricted	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	18,430,146
Total governmental activities net position	<u>\$ 123,296,590</u>	<u>\$ 131,395,965</u>	<u>\$ 138,542,687</u>	<u>\$ 155,948,736</u>	<u>\$ 154,188,886</u>	<u>\$ 153,271,760</u>	<u>\$ 152,592,821</u>	<u>\$ 157,599,848</u>	<u>\$ 157,143,518</u>	<u>\$ 156,700,105</u>
Business-type activities										
Net investment in capital assets	\$ 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	\$ 52,775,561
Restricted	2,310,980	2,331,001								
Unrestricted	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	21,541,202
Total business-type activities net position	<u>\$ 27,356,632</u>	<u>\$ 32,530,328</u>	<u>\$ 38,786,790</u>	<u>\$ 45,925,971</u>	<u>\$ 52,606,734</u>	<u>\$ 55,788,142</u>	<u>\$ 60,376,793</u>	<u>\$ 64,737,268</u>	<u>\$ 68,303,943</u>	<u>\$ 74,316,763</u>
Primary government										
Net investment in capital assets	\$ 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	\$ 186,490,382
Restricted	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	4,555,138
Unrestricted	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	39,971,348
Total primary government net position	<u>\$ 150,653,222</u>	<u>\$ 163,926,293</u>	<u>\$ 177,329,477</u>	<u>\$ 201,874,707</u>	<u>\$ 206,795,620</u>	<u>\$ 209,059,902</u>	<u>\$ 212,969,614</u>	<u>\$ 222,337,116</u>	<u>\$ 225,447,461</u>	<u>\$ 231,016,868</u>

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									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental activities:										
General government	\$ 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	\$ 10,990,007
Public Safety	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	13,814,914
Highways and streets	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	10,029,203
Culture and recreation	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	3,399,623
Interest on long-term debt	653,331	805,123	996,336	987,074	954,645	1,767,155	430,570	654,262	522,917	656,260
Total governmental activities/expenses	<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>	<u>38,890,007</u>
Business-type activities:										
Water	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	13,572,677
Stormwater drainage	271,469	111,695	74,235	177,673	494,166	486,994	586,006	636,966	983,975	749,038
Total business-type activities expenses	<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>	<u>14,321,715</u>
Total primary government expenses	<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>	<u>\$ 53,211,722</u>
Program Revenues										
Governmental activities:										
Fees, Fines and Charges for Services:										
General government	\$ 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	\$ 4,049,195
Public Safety			229,546	69,256	83,279	28,785	33,976	33,109	45,346	35,976
Highways and streets	396,602	183,842	122,124	211,088	119,847	137,436	400,977	329,420	1,052,581	546,066
Culture and recreation			121,358	73,149	110,857	119,273	126,290	82,832	169,965	435,354
Operating grants and contributions	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	4,706,844
Capital grants and contributions	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	2,919,641
Total governmental activities program revenues	<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>	<u>12,693,076</u>
Business-type activities:										
Charges for services:										
Water	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	19,286,794
Stormwater Utility	14,710	21,401	125	357,602	746,655	927,238	888,391	752,212	813,400	759,428
Capital grants and contributions	2,934,747	628,501	3,066,170	3,567,083	3,697,229	362,273	1,655,307	245,607	48,871	179,675
Total business-type activities program revenues	<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>	<u>20,225,897</u>
Total primary government program revenues	<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>	<u>\$ 32,918,973</u>

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Net (Expense)/Revenues										
Governmental activities	\$ (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)	\$ (26,196,931)
Business-type activities	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	5,904,182
Total primary government net expenses	<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>	<u>\$ (20,292,749)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Sales taxes	\$ 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	\$ 15,286,001
Franchise taxes	402,482	435,428	478,175	516,652	506,685	509,285	514,814	525,427	539,477	571,731
Impact fees*	1,547,819	1,098,977	1,038,217	910,741	441,020	584,113				
Unrestricted state revenue sharing	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	9,636,906
Unrestricted state sales tax revenue sharing	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	1,395,094	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)	557,238	991,151	1,471,641	1,590,654	113,995	95,625	39,124	189,606	265,787	255,702
Special item - Capital asset conveyance									(2,606,804)	
Transfers	(91,194)	(79,778)	69,813	1,600,000					2,319	3,178
Total governmental activities	<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>	<u>25,753,518</u>
Business-type activities:										
Investment earnings (loss)	591,932	956,189	1,163,837	864,494	128,083	72,244	39,745	167,106	5,471	111,816
Transfers	91,194	79,778	(69,813)	(1,600,000)					(2,319)	(3,178)
Total business-type activities	<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>	<u>108,638</u>
Total primary government	<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>	<u>\$ 25,862,156</u>
Change in Net Position										
Governmental activities	\$ 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)	\$ (443,413)
Business-type activities	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	6,012,820
Total primary government	<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>	<u>\$ 5,569,407</u>

Source: Town of Oro Valley Finance Department

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

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Fund										
Restricted	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Committed										
Assigned							1,769,333	1,608,035	1,608,035	1,608,035
Unassigned							9,237,805	9,793,614	11,529,070	9,925,988
Reserved	112	7,267								
Unreserved	11,744,160	14,356,224	18,477,706	16,666,388	15,940,438	11,904,429				
Total general fund	<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>	<u>\$ 11,534,023</u>
All Other Governmental Funds										
Restricted	\$	\$	\$	\$	\$	\$	\$ 9,128,505	\$ 11,454,390	\$ 3,730,312	\$ 4,555,138
Committed							840,704	622,919	4,166,818	5,343,506
Assigned										1,500,000
Unassigned										
Reserved	36,076	80,624								
Unreserved, reported in:										
Special revenue funds	3,856,925	4,439,573	4,891,095	5,534,192	5,887,082	5,868,523				
Capital projects funds	10,972,912	4,985,836	4,520,718	15,396,024	9,071,398	3,933,044				
Debt service funds	403,332	280,055	245,208	263,478	158,816	1,929,635				
Total all other governmental funds	<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>	<u>\$ 11,398,644</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.

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
Taxes	\$ 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	\$ 15,857,732
Intergovernmental	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	16,732,631
Fines and forfeitures	326,427	462,246	429,458	391,921	413,720	612,031	560,941	895,820	551,962	673,336
Licenses and permits	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	2,116,700
Charges for services	880,582	942,676	1,026,921	1,040,694	1,066,376	965,455	926,135	1,209,814	1,630,238	1,850,181
Contributions and donations		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	1,462,307
Impact fees	1,488,301	1,098,977	1,038,217	910,741	441,020	584,113	481,619	417,742	988,342	569,338
Investment earnings	557,238	991,151	1,471,641	1,590,654	113,995	95,625	39,124	189,606	265,787	255,702
Other revenues	458,034	325,428	135,261	555,790	233,123	216,030	297,109	460,512	349,326	305,489
Total revenues	\$ 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	\$ 39,823,416
Expenditures										
General government	\$ 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	\$ 10,610,673
Public safety	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	13,539,322
Highways and streets	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	3,710,577
Culture and recreation	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	2,445,131
Capital Outlay			10,662,190	13,090,313	11,332,914	3,189,765	7,014,659	6,929,834	11,053,739	5,495,185
Debt Service										
Principal retirement	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	1,867,901
Interest and fiscal charges	589,725	731,358	921,205	907,658	1,034,061	831,580	470,578	554,274	498,729	472,268
Payment to bond escrow agent						6,279,112				
Bond Issuance costs	251,327	107,897	28,868			26,550		75,800		
Total expenditures	\$ 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	\$ 38,141,057
Excess of revenues over (under) expenditures	\$ (220,254)	\$ (6,840,313)	\$ 4,069,742	\$ 125,355	\$ (6,802,348)	\$ (7,395,553)	\$ (5,169,407)	\$ (191,224)	\$ (2,147,042)	\$ 1,682,359

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Other Financing Sources (Uses)										
Premium on bonds issued	\$	\$	\$ 25,719	\$	\$	\$	\$	\$ 113,835	\$	\$
Proceeds from capital lease agreements										212,895
Issuance of long-term loan payable	4,030,033			8,000,000						
Issuance of refunding debt			1,389,180							
Payment to bond escrow agent			(1,540,438)							
Issuance of long-term debt		4,164,050					2,445,000	2,580,000		
Transfers in	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	4,115,152
Transfers out	(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)	(4,111,974)
Total other financing sources (uses)	\$ 3,938,839	\$ 4,084,272	\$ (81,445)	\$ 9,600,000	\$ -	\$ -	\$ 2,510,123	\$ 2,693,835	\$ (297,681)	\$ 216,073
Net change in fund balances	\$ 3,718,585	\$ (2,756,041)	\$ 3,988,297	\$ 9,725,355	\$ (6,802,348)	\$ (7,395,553)	\$ (2,659,284)	\$ 2,502,611	\$ (2,444,723)	\$ 1,898,432
Debt service as a percentage of noncapital expenditures	13.05%	13.02%	7.17%	12.51%	5.88%	10.60%	12.36%	11.55%	3.76%	7.30%

Source: Town of Oro Valley Finance Department

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

<u>Employer</u>	2014			2005		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Town Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Town Employment</u>
Ventana Medical Systems	1,500	1	8.49%	550	2	3.16%
Oro Valley Hospital	533	2	3.02%	600	1	3.44%
Hilton El Conquistador Golf & Tennis Resort	475	4	2.69%	440	4	2.52%
Amphitheater Public Schools	477	3	2.70%	500	3	2.87%
Town of Oro Valley	433	5	2.45%	359	5	2.06%
Walmart Supercenter	346	6	1.96%			
Fry's Food & Drug Store	243	7	1.37%	270	6	1.55%
Securaplane	182	8	1.03%			
Splendido at Rancho Vistoso	175	9	0.99%	130	10	0.75%
Target	128	10	0.72%	130	9	0.75%
Hilton El Conquistador Country Club				260	7	1.49%
Home Depot				160	8	0.01%
Total	4,492		25.41%	3,399		18.60%

Source: Principal Employers Arizona Workforce Informer

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

Taxpayer	Business Type	Fiscal Year 2014			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	\$ 1,797,531	1	11.73%			
Taxpayer B	Retail Trade	828,798	3	5.41%			
Taxpayer C	Retail Trade	602,684	4	3.93%	\$ 584,705	3	6.27%
Taxpayer D	Utility	493,888	5	3.22%			
Taxpayer E	Construction	341,502	8	2.23%			
Taxpayer F	Utility	403,191	6	2.63%			
Taxpayer G	Retail Trade	388,882	7	2.54%	532,775	4	5.72%
Taxpayer H	Retail Trade	312,409	9	2.04%			
Taxpayer I	Accommodation	1,236,804	2	8.07%	1,086,800	1	11.66%
Taxpayer J	Construction	288,453	10	1.88%			
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>\$ 6,694,142</u>		<u>43.67%</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)
(\$000's)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Construction	\$ 3,594	\$ 5,602	\$ 6,895	\$ 7,038	\$ 5,143	\$ 2,110	\$ 1,707	\$ 1,738	\$ 2,842	\$ 3,338
Manufacturing	137	165	181	280	230	230	266	258	258	257
Transportation, Warehousing, Communications & Utilities	116	91	226	1,279	1,632	1,554	1,534	2,450	2,785	2,959
Wholesale Trade	54	56	58	69	54	75	93	106	110	103
Retail Trade	2,942	3,229	3,665	4,017	4,264	4,544	4,720	4,925	5,153	5,243
Restaurants, Bars & Lodging	1,888	2,392	2,720	2,775	2,333	2,283	2,314	2,314	2,164	2,761
Finance, Insurance & Real Estate	142	155	859	496	324	381	324	333	335	75
Services	379	262	313	312	322	378	417	456	456	529
All Other	68	197	167	337	896	627	102	103	75	60
Cable Franchise	402	435	478	517	507	509	515	525	540	572
Total	\$ 9,722	\$ 12,584	\$ 15,562	\$ 17,120	\$ 15,705	\$ 12,691	\$ 11,992	\$ 13,208	\$ 14,718	\$ 15,897
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
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%
2014	2.00%	6.00%	4.00%	4.00%	6.10%

Source: Arizona Department of Revenue

TOWN OF ORO VALLEY, ARIZONA
 PRIMARY & SECONDARY ASSESSED PROPERTY VALUES
 LAST NINE FISCAL YEARS
 (UNAUDITED)

Year	Primary Assessed Valuation	Secondary Assessed Valuation	Estimated Full Cash Value	Total Outstanding General Obligation Bond Debt
2006	440,110,880	463,211,743	4,043,665,781	0
2007	515,095,975	582,838,439	5,098,720,276	0
2008	582,236,657	686,707,506	6,141,419,229	0
2009	642,601,840	693,924,598	6,140,054,657	0
2010	649,015,575	672,309,638	6,041,904,306	0
2011	618,976,953	629,340,548	5,716,229,517	0
2012	589,160,533	592,761,968	5,461,131,133	0
2013	553,366,744	556,259,856	5,175,406,955	0
2014	556,566,167	560,863,509	5,252,917,489	0

Source: State of Arizona Department of Revenue Abstract of the Assessment Roll

TOWN OF ORO VALLEY, ARIZONA
HISTORICAL AND PROJECTED EXCISE TAX COLLECTIONS
JUNE 30, 2014
(UNAUDITED)

Revenue Source	Actual								Projected	
	Fiscal Year 2007	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015	Fiscal Year 2016
Town Sales and Franchise Taxes	\$ 17,351,805	\$ 17,685,650	\$ 15,883,093	\$ 13,480,150	\$ 12,086,962	\$ 13,325,106	\$ 14,780,543	\$ 15,857,732	\$ 16,612,476	\$ 17,276,975
Licenses and Permits	2,368,851	2,792,684	1,507,930	1,108,411	1,059,309	1,185,862	1,813,947	2,116,700	1,857,547	1,931,849
Fines	215,500	249,762	285,628	202,144	195,933	200,672	180,875	172,232	180,000	187,200
State-Shared Sales Tax	3,744,864	3,621,016	3,134,789	2,891,386	3,024,857	3,204,612	3,356,826	3,569,711	3,705,688	3,853,916
State-Shared Income Tax	4,473,305	5,544,763	5,886,132	5,086,954	3,834,911	3,461,359	4,189,186	4,571,196	4,964,344	5,162,918
Total	\$ 28,154,325	\$ 29,893,875	\$ 26,697,572	\$ 22,769,045	\$ 20,201,972	\$ 21,377,611	\$ 24,321,377	\$ 26,287,571	\$ 27,320,055	\$ 28,412,857

(a) All revenue sources are presented on a modified accrual basis of accounting except for Town sales taxes which are presented on the cash basis of accounting per the Arizona Department of Revenue Standard Industry Summary Local Taxes Collection Reports.

Source: Oro Valley Finance Department

Note: The above information is provided for bond requirements only and the bond does not require ten years of data.

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

Fiscal Year	Governmental Activities					Business-Type Activities				Percentage of Personal Income	Per Capita
	Capital Leases	Certificates of Participation	Loan Payable	Excise Tax Bonds	Special Assessment Bonds	Revenue Bonds	Capital Leases	Loan Payable	Total Primary Government		
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
2014	168,994			8,703,428	1,055,000	40,811,243	93,593	6,371,529	57,203,787	3.41%	1,366

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, 2014
(UNAUDITED)

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Pima County	\$ 1,348,889,696	7.25%	\$ 97,794,503
Pima County Community College District	1,335,000	7.25%	96,788
Amphitheater Unified School District No. 10	114,670,000	18.15%	<u>20,812,605</u>
Total Overlapping			118,703,895
Town of Oro Valley	9,758,428	100.00%	<u>9,758,428</u>
Total Direct			9,758,428
Total direct and overlapping debt			<u><u>\$ 128,462,323</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 2013-14.

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debt Limit	\$ 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	\$ 144,627,563
Total net debt applicable to limit										
Legal debt margin	<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>	<u>\$ 144,627,563</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, ARIZONA
 PLEDGED-REVENUE COVERAGE
 LAST TEN FISCAL YEARS
 (UNAUDITED)

Water Utility Revenue Bonds

Fiscal Year	Gross Revenues	Debt Service			Coverage
		Principal	Interest	Total	
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
2014	19,397,409	2,406,000	1,429,538	3,835,538	5.06

Governmental Revenue Bonds

Fiscal Year	Gross Revenues	Debt Service			Coverage
		Principal	Interest	Total	
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
2014	29,512,099	444,000	382,639	826,639	35.70

Certificates of Participation

Fiscal Year	Gross Revenues	Debt Service			Coverage
		Principal	Interest	Total	
2005	\$ 19,837,894	\$ 180,000	\$ 15,768	\$ 195,768	101.33
2006	21,011,720	190,000	26,690	216,690	96.97
2007	25,018,727	205,000	16,566	221,566	112.92
2008	29,200,152				0.00
2009	30,629,130				0.00
2010	28,084,482				0.00
2011	25,695,598				0.00
2012	23,921,715				0.00
2013	28,135,868				0.00
2014	29,512,099				0.00

Special Assessment

Fiscal Year	Gross Revenues	Debt Service			Coverage
		Principal	Interest	Total	
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
2014	1,462,307	1,380,000	80,020	1,460,020	1.00

Source: Town of Oro Valley Finance Department

TOWN OF ORO VALLEY, ARIZONA
HISTORICAL AND PROJECTED WATER SYSTEM REVENUES,
EXPENSES, DEBT SERVICE AND COVERAGE
JUNE 30, 2014
(UNAUDITED)

	Historical 2006/07	Historical 2007/08	Historical 2008/09	Historical 2009/10	Historical 2010/11	Historical 2011/12	Historical 2012/13	Actual 2013/14
Revenues:								
Water revenues	\$ 11,021,820	\$ 11,686,598	\$ 11,424,787	\$ 12,071,031	\$ 12,038,482	\$ 11,578,981	\$ 11,585,181	\$ 12,169,375
Water connection fees	1,050,471	1,925,656	1,588,084	293,607	244,376	462,762	706,159	1,413,047
Alternative water connection fees	148,200	512,543	812,740	475,973	400,988	759,958	1,253,055	2,376,682
Groundwater preservation fees	767,993	1,092,778	1,632,549	1,769,142	2,096,093	2,315,277	2,527,524	2,599,718
Other revenues	663,852	1,586,375	639,926	527,031	541,299	557,222	660,681	727,972
Interest income	1,157,837	864,262	125,458	70,329	38,445	166,654	-	110,615
Total revenues	14,810,173	17,668,212	16,223,544	15,207,113	15,359,683	15,840,854	16,732,600	19,397,409
Expenses:								
Personnel	2,167,957	2,324,921	2,447,642	2,514,595	2,418,118	2,497,865	2,537,150	2,659,895
Operations & maintenance	3,230,334	5,836,698	5,415,423	4,505,751	3,721,167	3,559,807	4,564,894	4,303,230
CAP water costs	472,638	602,682	185,490	154,575	903,855	636,519	1,093,105	1,499,594
Total expenses	5,870,929	8,764,301	8,048,555	7,174,921	7,043,140	6,694,191	8,195,149	8,462,719
Net water system revenues	8,939,244	8,903,911	8,174,989	8,032,192	8,316,544	9,146,662	8,537,452	10,934,690
Water supported debt service:								
2007 WIFA Loan	-	-	308,406	369,627	316,983	316,875	316,763	311,494
2009 WIFA Loan	-	-	-	-	161,554	182,268	186,817	150,471
2003 Revenue Bonds	2,548,923	2,542,673	2,544,423	2,544,973	2,545,935	2,545,435	980,000	-
2003 Refunding Revenue Bonds	647,569	648,512	648,674	647,374	1,152,546	1,238,996	1,243,058	-
2012 Refunding Bonds	-	-	-	-	-	-	956,975	1,968,281
2013 Refunding Bonds	-	-	-	-	-	-	-	1,513,427
Total water supported debt service	\$ 3,196,492	\$ 3,191,184	\$ 3,501,503	\$ 3,561,973	\$ 4,177,017	\$ 4,283,574	\$ 3,683,613	3,943,673
Net water system revenues debt service coverage	2.80	2.79	2.33	2.25	1.99	2.14	2.32	2.77

Source: 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
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%
2014	41,887	1,679,965,408	40,107	6.2%

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>2014</u>	<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>
Administration										
Town Clerk	4.90	4.54	4.44	4.60	4.00	4.60	4.60	4.60	4.50	4.50
Town Manager	7.00	7.00	7.10	7.10	8.10	8.50	8.10	6.00	6.00	5.00
Human Resources	2.00	5.00	5.00	5.00	4.00	4.00	4.00	4.00	3.00	3.00
Economic Development	2.00	3.00	1.00	1.00	1.40	1.40	2.25	2.25	2.00	2.00
Finance	7.00	7.00	7.00	7.00	7.00	9.00	9.00	8.00	7.50	7.50
Information Systems	7.30	6.50	6.50	8.00	8.00	7.00	8.00	5.00	4.00	4.00
Legal	6.00	6.00	8.00	8.00	7.00	10.00	10.25	10.25	10.25	6.25
Community Development										
Building Safety	0.00	0.00	0.00	0.00	13.00	16.00	18.00	17.00	16.00	16.00
Community Development Admin.	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4.00	4.00
Planning & Zoning	0.00	0.00	0.00	0.00	13.00	16.00	16.00	14.00	13.50	13.50
Development & Infrastructure Services										
	78.84	77.22	73.38	73.10	0.00	0.00	0.00	0.00	0.00	0.00
Parks and Recreation										
	37.61	27.26	20.62	22.70	27.50	27.60	28.10	27.00	20.80	20.80
Cultural Resources										
	0.00	1.35	1.30	1.30	0.00	0.00	0.00	0.00	0.00	0.00
Library										
	0.00	0.00	18.55	18.40	18.50	18.70	19.40	19.30	19.43	14.00
Police										
Civilians	25.93	30.25	30.25	29.70	30.70	33.00	34.00	34.00	29.00	28.00
Officers	101.91	101.44	97.96	95.00	97.90	102.40	108.00	105.00	96.00	92.00
Magistrate Court										
	8.70	8.00	8.00	9.00	9.00	9.00	8.50	8.50	8.50	8.50
Public Works										
	0.00	0.00	0.00	0.00	47.70	52.90	56.10	53.13	54.00	51.50
Water Utility										
	37.00	36.00	36.00	34.00	35.00	36.30	35.50	35.50	34.00	34.00
Total	326.19	320.56	325.10	323.90	331.80	356.4	369.80	353.53	332.48	314.55

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

<u>Fiscal Year</u>	<u>Residential</u>	<u>Commercial</u>	<u>Irrigation</u>	<u>Irrigation Reclaimed</u>	<u>Construction</u>	<u>Construction Reclaimed</u>	<u>Turf</u>	<u>Turf Reclaimed</u>	<u>Wholesale/ Unmetered</u>	<u>Total</u>
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
2014	7,881,436	886,712	1,169,067	187,622	283,632	816	121,108	1,638,981		12,169,374

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>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Police										
Burglaries	124	97	112	125	125	120	100	134	105	75
Citations (traffic)	8,660	8,203	8,183	7,497	9,256	6,736	5,244	5,084	5,456	4,668
Investigations	4,216	5,106	6,656	6,892	917	732	746	711	681	765
Total Arrests	2,076	2,053	2,236	2,254	2,478	2,176	1,932	1,716	1,564	1,679
Thefts	580	568	575	577	528	567	656	571	563	561
Development & Infrastructure Services										
Street resurfacing (miles)	17.3	5.4	7.7	10.5	53.4	14.8	13.9	22.4	30.5	73.4
Parks and Recreation										
Recreation Programs Held Annually	30	38	42	46	46	40	47	37	35	30
Months of Public Pool Operations	10	10	10	10	10	12	12	12	10	12
Parks Maintenance Man-Hours Worked	13,520	13,520	15,600	17,472	16,288	16,120	18,680	16,016	17,000	20,000
Library										
Collection volume	80,000	86,000	90,000	96,000	95,750	100,142	100,652	97,364	0	0
Water										
New connections	377	508	367	346	196	68	61	97	213	165
Total connections	16,955	17,463	17,830	18,177	18,373	18,441	18,502	18,599	18,812	18,977
Transit										
Total route miles	190,609	165,202	165,202	175,841	163,964	138,752	138,333	200,058	353,936	439,512
Passengers	15,937	14,387	14,858	16,908	17,101	15,573	14,873	20,119	32,442	39,196

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>
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
2014	14.19	2.23	3.01	4.07	5.49	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>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Substations	3	3	2	2	2	3	3	3	3	3
Patrol units	103	105	105	113	109	108	53	67	66	64
Other fleet	0	0	0	0	0	0	55	42	43	42
Development & Infrastructure Services										
Streets (miles)	188.0	191.3	201.9	220.1	220.1	214.0	203.8	203.8	205.1	221.0
Streetlights	93	93	93	93	93	93	93	93	95	95
Traffic signals	10	10	15	16	16	18	16	17	19	19
Parks and recreation										
Acreage	87	300	300	300	300	374	374	436	436	457
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	22	22	22	19	22	18	22	22	22	18
Storage capacity (MG)	17	17	17.5	18	19	19	20	20	20	13
Booster capacity	28	28	28	27	27	26	25	25	25	26
Transit										
Transit vans	9	9	9	9	9	9	5	5	5	9
Transit mini buses	0	0	0	0	0	0	5	10	12	17

Source: Town of Oro Valley Finance Department

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