Town of Oro Valley, Arizona

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2015

TOWN OF ORO VALLEY, ARIZONA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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, 2015

Prepared by:

Finance Department

Stacey Lemos, CPA
Finance Director

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INTRODUCTORY SECTION

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Town of Oro Valley

November 20, 2015

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, 2015.

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, 2015, 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, 2015, 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.

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PROFILE OF THE TOWN

The Town of Oro Valley was incorporated in 1974. It is located in northeastern Pima County, three miles north of Tucson and sits at an elevation of 2,620 feet. The Town currently occupies a land area of more than 36 square miles and serves an estimated population of 42,259. 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 is vested in the Town Council, which consists of a Mayor and six Council Members. Council Members are elected to four-year staggered terms. The citizens of Oro Valley elect the Mayor. The Council, from among its members, selects the Vice-Mayor. The Town Council is responsible, among other things, for the adoption of local ordinances, budget adoption, the development of citizen advisory committees, the hiring and removal of the Town Manager, the Police Chief, Town Attorney and Town Magistrate. The Town Manager is responsible for implementation of the policies of the Town Council. The Town Manager appoints all other department heads except those mentioned above under Town Council responsibilities.

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

As with all cities in the State of Arizona, the Town of Oro Valley is required to comply with Article IX, Section 20 (1) of the Arizona Constitution, which sets limits on the Town's legal budget capacity. The Town currently operates under the Alternative Expenditure Limitation – Home Rule Option. This option allows the Town Council to establish the budgetary limits locally, rather than being restricted by the State-imposed expenditure limitation. The voters must authorize this option every four years. It was last authorized by the citizens of Oro Valley in 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 June. 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 updated during FY 2014/15 and is centered around 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 longer 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 five main focus areas in the Strategic Plan are listed below. Also shown below are the Town's accomplishments in these areas during FY 2014/15.

- **Fiscal Responsibility**

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

  - Conducted a successful primary election in 2014. All four seats were elected at the primary, making a general election unnecessary, resulting in a decrease in election costs from $73,451 to $33,061.
  - Approved a balanced budget for FY 2015/16, with a projected General Fund surplus of more than $500,000
  - Collected approximately $1.2 million in plan review and permit fees
  - Issued approximately 1,625 permits, including 65 commercial building permits, 285 residential building permits, 70 grading permits, 885 miscellaneous building permits, 185 sign permits, 90 pool permits, 35 model home plan permits and 10 wall permits
  - Continued use of Arizona Dept. of Corrections (ADC) crew to perform maintenance and minor repairs on small fleet equipment, vehicles and other equipment at significant cost savings to the Town
  - Secured over $700,000 in regional support for Stormwater repair projects
  - Received Certificate of Achievement for Financial Reporting Excellence, Distinguished Budget Presentation Award and Popular Annual Financial Reporting Award from Government Finance Officers Association (GFOA)
  - Implemented of 0.5% sales tax increase dedicated to funding the operational and capital needs of the newly acquired Oro Valley Community and Recreation Center
  - Received the Achievement of Excellence in Procurement award for the 7th consecutive year
  - Formal bid process resulted in an average savings of $102,000 per contract award
  - Received Governor's Office of Highway Safety funding for five DUI breath detection devices and $30,000 reimbursement for DUI enforcement overtime and employee-related expenses

- **Communication**

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

  - Implemented Laserfiche, an electronic document management system to store, manage and retrieve digitized paper documents, such as minutes, ordinances, resolutions, etc.
  - Implemented board and commission management software that allows residents to apply for board and commission vacancies online, thereby streamlining the recruitment process and improving the efficiency of board and commission management
  - Adopted the 2015 Strategic Plan

- Committees for the *Your Voice, Our Future* project (General Plan update) completed the first round of reviews, with their work compiled into a first draft of the General Plan
- Held 29 neighborhood public outreach and awareness meetings for planning amendments, including 7 for major General Plan amendments
- Developed online budget questionnaire, "5 Questions in 5 Minutes," to solicit public input during preparation of the FY 2015/16 Town Budget resulting in 124 responses
- Instituted a telephonic language access program to assist non-English speakers visiting the front counter of the court
- Updated the Town's constituent portal to be more aesthetically pleasing and user-friendly
- Refreshed the Oro Valley Vista newsletter, allowing the Town to distribute hardcopies six times annually instead of online-only format four times annually
- Received the 2014 Silver Circle Award in Citizen Participation from City-County Communications & Marketing Association for the *Your Voice, Our Future* public participation plan
- Increased frequency of postings and video promotions through social media to communicate Town events and initiatives to the community
- Developed and implemented a digital regional marketing campaign through Tucson News Now to promote Town amenities and special events to the Tucson metro region

- **Economic Development**

  The Town Council and management are focused on attracting and retaining globally-competitive high technology and bioscience businesses and employers while maximizing the Town's visitor destination opportunities.

  - Provided wide range of construction assistance for residential and commercial projects, including Copper Health, Panera Bread, La Hacienda, Breadsmith, San Dorado, El Corredor, and the opening of three new residential subdivisions
  - Attracted LCMS Solutions, the first Clinical Laboratory Improvement Amendments in Oro Valley, which will bring an estimated 30 new jobs
  - Partnered with the Children's Museum Tucson to open first-ever satellite museum in Oro Valley
  - Received fifth consecutive Playful City USA community designation
  - Hosted numerous regional and state championship swim meets at new Oro Valley Aquatic Center
  - Town of Oro Valley survey noted the number one reason residents enjoy living in Oro Valley is safety and low crime
  - Implemented coffee with a cop program and have hosted 20 events at Oro Valley restaurants and extended care facilities
  - Reached 150 active business in the adopt-a-business program
  - Added 155 new metered connections for a total water utility customer base of 19,176

- **Parks, Recreation and Cultural Development**

  The Town Council and management are focused on developing exceptional recreation and cultural facilities and programs that attract visitors and events that enhance residents' quality of life and strengthen the economy.

  - Approved funding of special events in the community, including the annual 4th of July celebration, holiday tree lighting celebration, Oro Valley Meet Yourself, seasonal festivals at Steam Pump Ranch, Oro Valley Festival of the Arts and three music concert series programs
  - Approved the acquisition of the El Conquistador Country Club and its related amenities for $1 million to be converted into a municipal community and recreation center

- Completed recruitment and hiring of 34 new employees in less than three months for the Oro Valley Community and Recreation Center
- Hosted the first annual Oro Valley Meet yourself folk-life festival
- Completed the Parks & Recreation strategic facilities plan
- Completed construction on two new multi-sport fields, dog park, parking lot and crucial infrastructure at Naranja Park
- Renovated the dog park at James D. Kriegh Park
- Increased summer camp participation average from 60 to 100 participants per week
- Added 200 new Community & Recreation Center members

- **Community Infrastructure and Services**

  The Town Council and management are focused on the Town serving as the model for innovative partnerships, services and performance in providing basic town services.

  - Approved funding for capital improvement projects benefiting the community, including improvements to the Aquatic Center, Naranja Park, Riverfront Park, Steam Pump Ranch, as well as street light reconstruction along Sun City's Rancho Vistoso Boulevard
  - Approved continued funding for community-based public safety programs, including school resource officers, dispose-a-med, adopt-a-business, coffee with a cop and citizen volunteer assistance program
  - Approved continued funding of Sun Shuttle dial-a-ride, providing direct transit service for seniors and the disabled, as well as for all community members
  - Implemented a new development permitting system
  - Completed installation of traffic signal at Rancho Vistoso Blvd. and Vistoso Highland Dr.
  - Began construction on the Naranja Drive widening and improvement project
  - Developed an Intergovernmental Agreement (IGA) with Pima County Dept of Transportation and the Regional Transportation Authority (RTA) to design the La Cholla Blvd. widening and improvement project.
  - Fiscal year transit service ridership exceeded 39,000 passenger trips
  - Sun Shuttle dial-a-ride offered over 31,000 hours of service and operated over 464,000 miles
  - Completed design and began preparing for construction on the Lambert Lane Phase II widening and improvement project
  - Implemented a new permits and code enforcement system
  - Implemented new e-citation program which automatically creates cases in court's case management system
  - Citizen volunteer assistants program members contributed 14,878 volunteer hours
  - Acquired 2,130 acre feet of groundwater extinguishment credits
  - Recharged 9,000 acre feet of Central Arizona Project (CAP) water
  - Water Utility completed phase 2 and 3 of the 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.

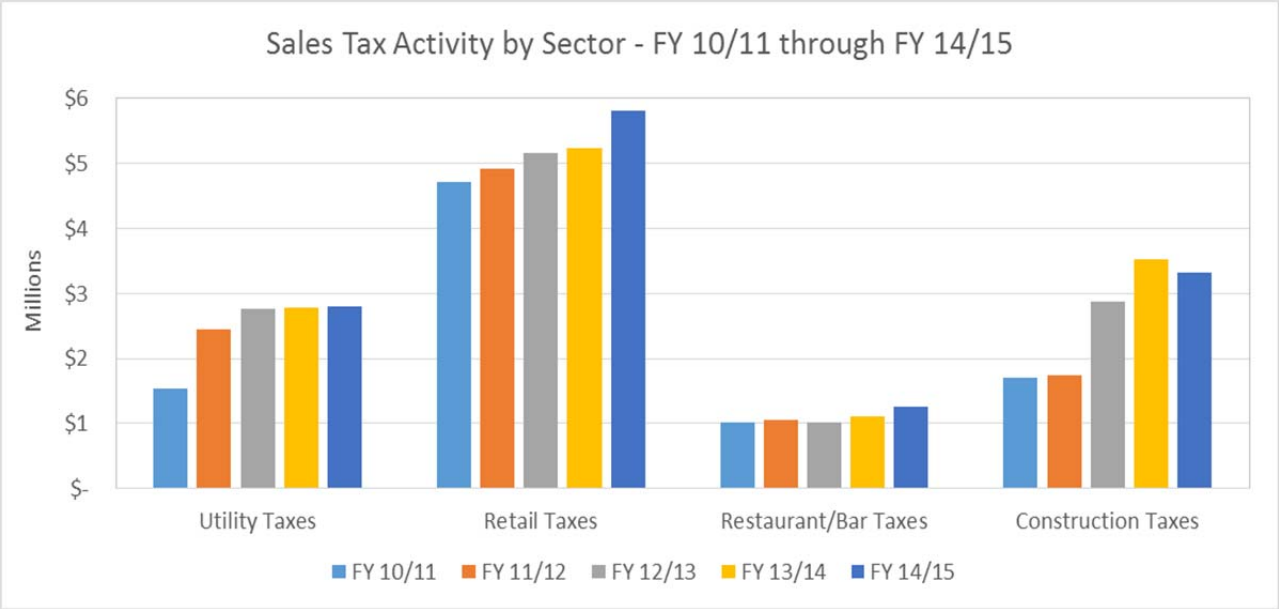
Fiscal year 2014/15 in Oro Valley saw sustained economic progress and recovery with year-over-year increases in most of the Town's revenue categories. The Town continues to provide services and programs without a property tax to fund operations and, therefore, is dependent upon state shared

revenues and local sales tax as major sources of operating revenue. These sources accounted for approximately 79% of total General Fund revenue for FY 2014/15.

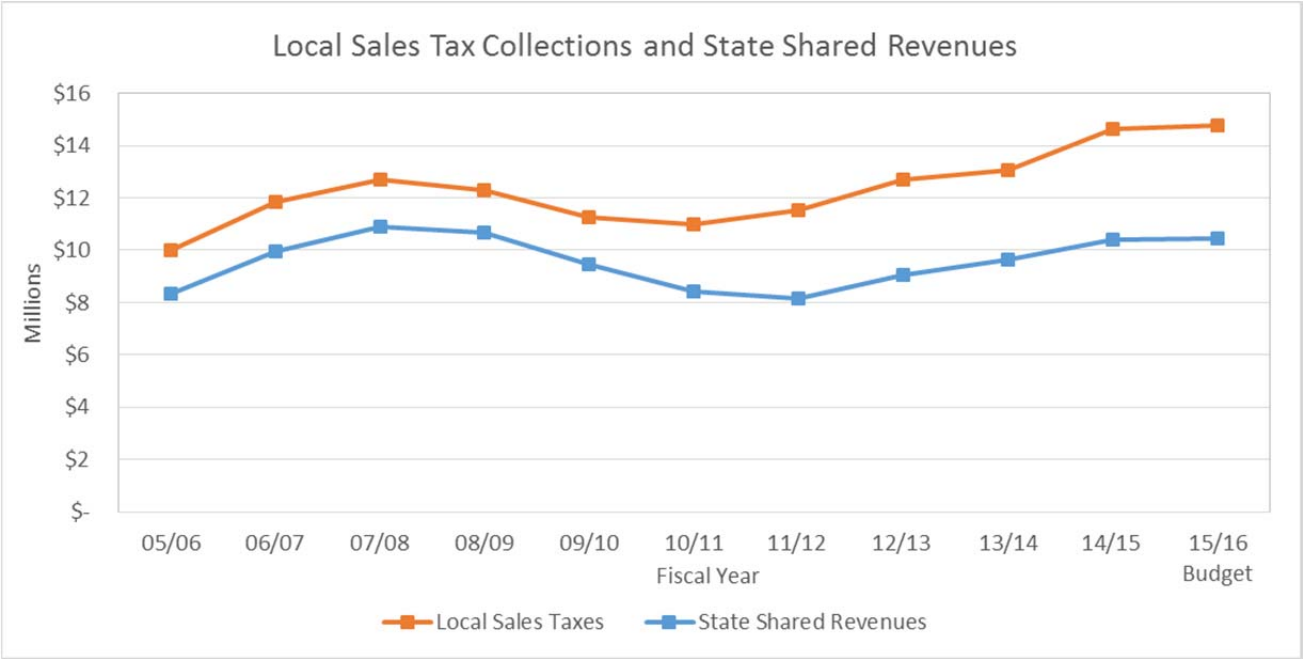
Most of the major local sales tax categories experienced year-over-year increases compared to amounts collected in FY 2013/14, with the exception of construction sales tax, as discussed below:

- Retail tax collections totaled $5.8 million for FY 14/15, up 11%, or $565,000 over last fiscal year. Approximately $337,000 of this increase is due to the approved increase in the local sales tax rate from 2% to 2.5% that became effective on March 1, 2015. The additional 0.5% sales tax revenues are dedicated to funding the operating needs of the Town's newly acquired community and recreation center.
- Restaurant and bar tax collections totaled $1.3 million for the fiscal year, up 14%, or $156,000 over last fiscal year. Approximately $72,000 of this increase is due to the increase in the local sales tax rate mentioned above.
- Construction sales tax collections totaled $3.3 million for the fiscal year, down 6%, or nearly $200,000 from last fiscal year. This slight decline was due to the completion of several large multi-family housing complexes that were under construction during FY 2013/14, causing a slight spike in construction sales tax collections during the previous year.
- Utility tax collections totaled $2.8 million for the fiscal year, flat to collections from last fiscal year.

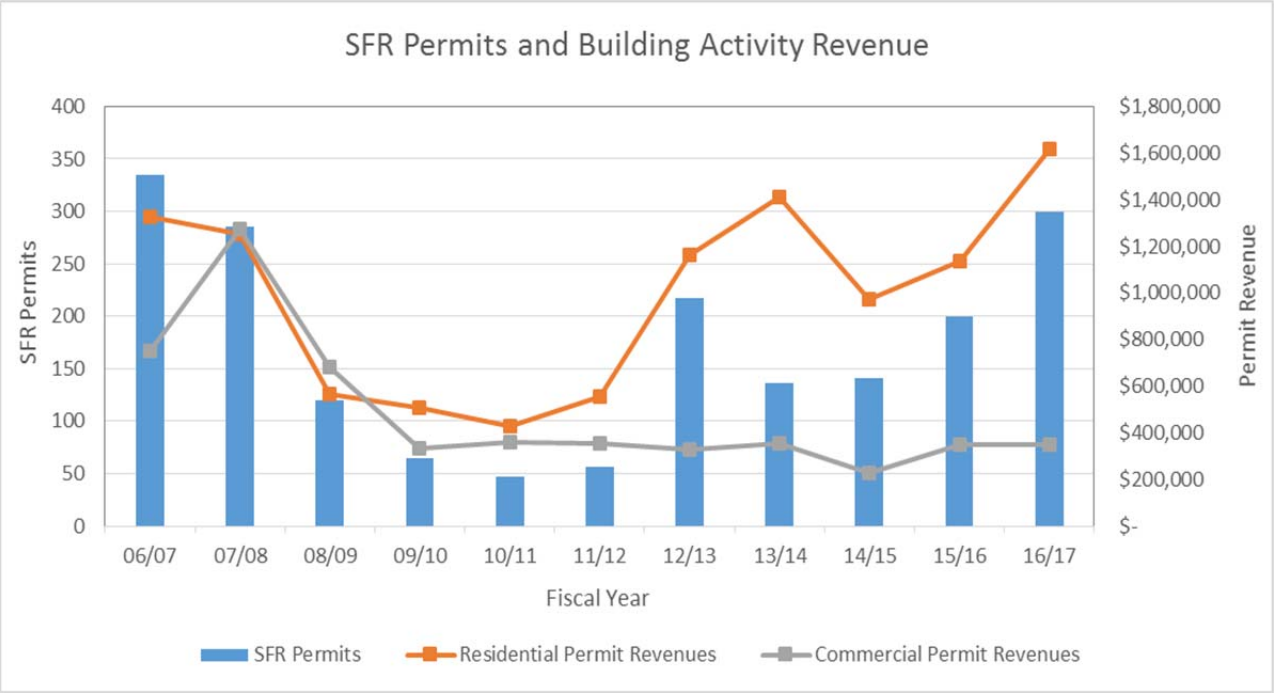
The chart below is a look at the past five years' local sales tax activity by category:



In FY 2014/15, the Town received $10.4 million for state shared revenues in the General Fund, up 8.1%, or $777,000 over last fiscal year. The trend chart below depicts the performance of both of these revenue categories since FY 2005/06:



Critical to the Town's success in the area of fiscal responsibility is the preparation of realistic growth assumptions that help guide our revenue projections. As mentioned, we continue to see modest economic growth in Oro Valley and the surrounding region. The FY 2015/16 budget reflects a slight softening of the forecasted growth trends included in prior years' forecasts. The projected residential development is considerable over the next five-year horizon; however, it will be spread out more than originally projected as we saw production homes going vertical at a slower pace than originally anticipated in FY 2014/15. Currently, there is an inventory of just over 1,600 residential lots available in developments under construction town-wide. In FY 2014/15, we saw 141 single family residential (SFR) building permits issued. The FY 2015/16 budget includes the assumption that 200 SFRs will be issued. We also expect modest commercial activity during FY 2015/16 with some new construction and tenant improvements in previously-vacant space. We expect growth to be slow in the short-term and gradually increase as more homes are added to the community. 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 2006/07 through FY 2016/17 projections.



Future Focus

During FY 2015/16, the Town will continue 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 continues to dedicate one-time revenues to funding one-time expenditures in the budget, specifically for capital improvement projects, while ensuring that sufficient recurring revenues exist to fund recurring expenditures in the budget. With the expectation of sustained and moderately increasing 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 2015/16, the Town will focus its efforts on supporting the elements of its recently updated Strategic Plan as follows: fiscal responsibility; communication; economic development; parks, recreation and cultural development; and community infrastructure and services.

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 2015/16 to maintain fair and competitive compensation provided to the Town's most valuable assets, its employees.
- The FY 2015/16 budget includes continued funding for its vehicle replacement program, which includes the replacement of several vehicles town-wide, as well as setting aside funding for the future replacement of vehicles at the end of their useful lives.
- The FY 2015/16 budget includes more than $1.35 million for the Pavement Preservation Program in the Highway Fund, which maintains the current condition of our streets and roads.
- The largest addition to the FY 2015/16 budget is the acquisition of the former El Conquistador Country Club for use as the Town's new community and recreation center. These operations will comprise a new division within the Parks and Recreation Department and adds over $8 million in operational and capital expenditures and accompanying revenues of over $7.4 million, including the 0.5% dedicated sales tax revenues of $2 million.

- The FY 2015/16 budget has dedicated funding to continue the process of updating the General Plan, which is expected to go before voters in November of 2016.

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 $10.2 million, or 32% of FY 2015/16 adopted expenditures of $31.6 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, 2014. This was the twenty-first 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.

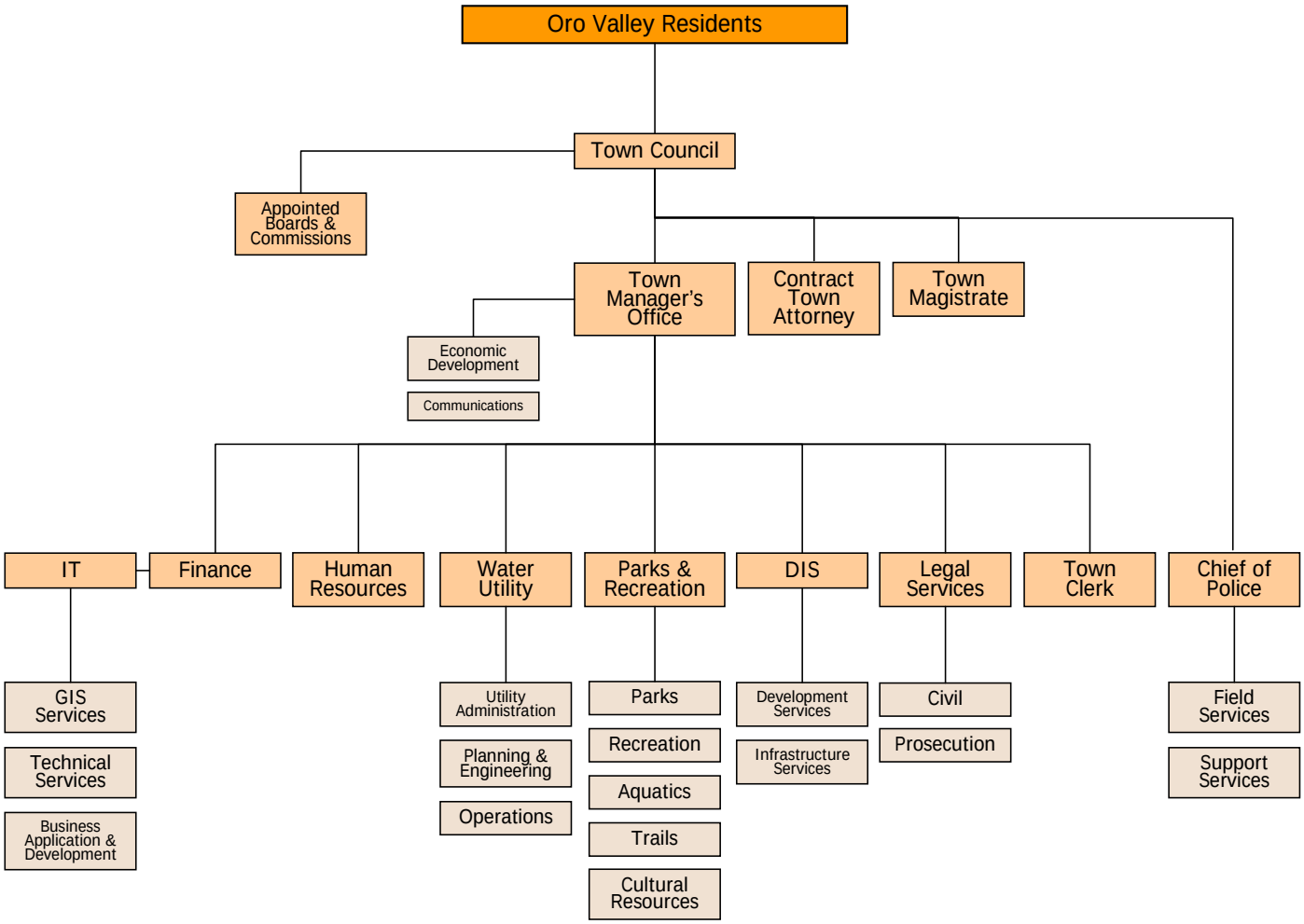
Acknowledgments. The preparation of this Comprehensive Annual Financial Report could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance Department who assisted and contributed in its preparation. We thank the Mayor and members of the Town Council 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

TOWN MANAGER

Town Manager	Greg Caton

DEPARTMENT DIRECTORS

Finance Director	Stacey Lemos, CPA
Human Resources Director	Gary Bridget
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, 2014

Executive Director/CEO

FINANCIAL SECTION

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

10120 N. Oracle Road
Tucson, Arizona 85704
Tel (520) 742-2611
Fax (520) 742-2718

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, 2015, 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, 2015, 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. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, for the year ended June 30, 2015, which represents a change in accounting principle. Our opinion is not modified with respect to this matter.

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Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town'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 Section and Statistical Section 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 20, 2015, 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 20, 2015

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

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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, 2015. The management's discussion and analysis is presented as required supplementary information to supplement the basic financial statements. 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 2014-15 as follows.

- The Town's total net position of governmental activities decreased $3.8 million to $127.9 million and business-type activities increased $4.5 million to $75.0 million representing 63 percent and 37 percent respectively, of the total net position of $202.9 million.

- General revenues from governmental activities accounted for $27.3 million in revenue, or 68 percent of all revenues from governmental activities. Program specific revenues in the form of charges for services and grants and contributions accounted for $12.8 million or 32 percent of total governmental activities revenues. The Town had $18.8 million of program revenues and $124,887 in general revenues related to business-type activities.

- The Town had $43.9 million in expenses related to governmental activities, an increase of 13 percent from the prior fiscal year. The Town had $14.5 million in expenses related to business-type activities, an increase of one percent from the prior fiscal year.

- Among major funds, the General Fund had $31.7 million in revenues, which primarily consisted of sales taxes and intergovernmental revenues. The total expenditures of the General Fund were $29.3 million. The General Fund's fund balance decreased from $11.5 million to $10.2 million, primarily due to $2.6 million in transfers to capital projects funds for various improvements and $1.2 million for the establishment of a Community Center Fund.

- The Water Fund operating revenues of $14.3 million exceeded operating expenses of $12.0 million. The increase in net position of $4.6 million was primarily due to revenues from charges for services exceeding operating expenses.

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.

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.

OVERVIEW OF FINANCIAL STATEMENTS

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 Fund, which is considered to be a major fund. 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 as required supplementary information.

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 inflows by $202.9 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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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, 2015 and June 30, 2014.

	2015 Governmental Activities	2014 Governmental Activities	2015 Business-type Activities	2014 Business-type Activities	2015 Total	2014 Total
Current and other assets	$ 27,920,274	$ 28,033,668	$ 25,242,566	$ 25,162,539	$ 53,162,840	$ 53,196,207
Capital assets, net	144,069,485	143,597,865	100,830,880	98,221,633	244,900,365	241,819,498
Total assets	171,989,759	171,631,533	126,073,446	123,384,172	298,063,205	295,015,705
Deferred outflows	5,837,919	135,085	2,354,675	2,153,646	8,192,594	2,288,731
Current and other liabilities	6,532,855	3,376,544	2,988,661	3,647,811	9,521,516	7,024,355
Long-term liabilities	39,372,914	11,689,969	49,764,066	47,573,244	89,136,980	59,263,213
Total liabilities	45,905,769	15,066,513	52,752,727	51,221,055	98,658,496	66,287,568
Deferred inflows	4,015,632		724,253		4,739,885	
Net investment in capital assets	133,800,218	133,714,821	54,858,448	52,775,561	188,658,666	186,490,382
Restricted	3,599,966	4,555,138			3,599,966	4,555,138
Unrestricted	(9,493,907)	18,430,146	20,092,694	21,541,202	10,598,787	39,971,348
Total net position	$ 127,906,277	$ 156,700,105	$ 74,951,142	$ 74,316,763	$ 202,857,419	$ 231,016,868

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 $5.8 million in business-type activities capital assets through improvements to the existing water system.
- The addition of $9.0 million in governmental activities capital assets, mostly consisting of the replacement of police force vehicles, Naranja Park improvements, purchase of the El Conquistador Country Club, for use as a community and recreation center, and pavement preservation upgrades.
- The increase of $2.8 million in business-type activities long-term debt was due mainly to the issuance of a $2.4 million Water Infrastructure Finance Authority (WIFA) loan and annual debt service payments of $3.6 million.
- The increase of $2.7 million in governmental activities long-term debt was due mainly to the issuance of a $1.0 million note payable for the purchase of the El Conquistador Country Club for use as a community and recreation center. This note payable will be paid off over the next three fiscal years, with the first payment occurring in fiscal year 2015-16.
- The implementation of new pension reporting standards increased total long-term liabilities by $30.6 million.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Changes in net position. The Town's total revenues for the current fiscal year were $59.1 million. The total cost of all programs and services was $58.4 million. The following table presents a summary of the changes in net position for the fiscal years ended June 30, 2015 and June 30, 2014.

	2015 Governmental Activities	2014 Governmental Activities	2015 Business-type Activities	2014 Business-type Activities	2015 Total	2014 Total
Revenues:						
Program revenues:						
Charges for services	$ 5,223,071	$ 5,066,591	$ 16,860,275	$ 20,046,222	$ 22,083,346	$ 25,112,813
Operating grants and contributions	5,070,396	4,706,844			5,070,396	4,706,844
Capital grants and contributions	2,456,727	2,919,641	1,979,037	179,675	4,435,764	3,099,316
General revenues:						
Sales taxes	16,132,159	15,286,001			16,132,159	15,286,001
Franchise taxes	582,064	571,731			582,064	571,731
Unrestricted state shared revenues	10,413,464	9,636,906			10,413,464	9,636,906
Investment earnings	216,175	255,702	124,887	111,816	341,062	367,518
Total revenues	40,094,056	38,443,416	18,964,199	20,337,713	59,058,255	58,781,129
Expenses:						
General government	11,533,702	10,990,007			11,533,702	10,990,007
Public safety	16,587,168	13,814,914			16,587,168	13,814,914
Highways and streets	9,400,140	8,754,110			9,400,140	8,754,110
Transit	1,404,646	1,275,093			1,404,646	1,275,093
Culture and recreation	4,572,490	3,399,623			4,572,490	3,399,623
Interest on long-term debt	439,027	656,260			439,027	656,260
Water			13,608,931	13,572,677	13,608,931	13,572,677
Stormwater drainage			854,510	749,038	854,510	749,038
Total expenses	43,937,173	38,890,007	14,463,441	14,321,715	58,400,614	53,211,722
Transfers	3,119	3,178	(3,119)	(3,178)		
Changes in net position	(3,839,998)	(443,413)	4,497,639	6,012,820	657,641	5,569,407
Net position, beginning, as restated	131,746,275	157,143,518	70,453,503	68,303,943	202,199,778	225,447,461
Net position, ending	$ 127,906,277	$156,700,105	$ 74,951,142	$ 74,316,763	$ 202,857,419	$ 231,016,868

Total expenses increased $5.2 million, or 10 percent, primarily due to the completion of various capital projects totaling $3.3 million, such as the on-site health clinic, Aquatic Center parking lot, purchase of computer system module for permitting functions, upgrade to Town's phone system, funding for Children's Museum Oro Valley, electric utility line undergrounding project, and completion of Naranja Park. In addition, expenses include $1.2 million in operations and maintenance costs for the newly acquired community and recreation center.

The increase of $1.6 million in total revenues was largely due to an increase in the local sales tax rate from 2 percent to 2.5 percent that became effective March 1, 2015 ($850,000), as well as an increase in year-over-year collections in state shared revenues ($777,000). The revenues from the additional 0.5 percent sales tax increase are dedicated to funding the operations and capital improvement needs of the Town's new community and recreation center acquired on May 1, 2015.

Business-type activities charges for services decreased by $3.2 million due to a decrease of $1.2 million in water sales and a decrease of $2.0 million in development impact fees year-over-year due to the completion of several multi-family housing complex construction projects.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Business-type activities capital grants and contributions increased by $1.8 million due to loan proceeds from the Water Infrastructure Finance Authority (WIFA) for the automated meter replacement program.

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.

	2015		2014	
Governmental Activities	Total Expenses	Net (Expense)/ Revenue	Total Expenses	Net (Expense)/ Revenue
General government	$ 11,533,702	$ (7,800,394)	$ 10,990,007	$ (6,861,756)
Public safety	16,587,168	(15,706,629)	13,814,914	(12,711,503)
Highways and streets	9,400,140	(3,661,685)	8,754,110	(3,006,384)
Transit	1,404,646	(141,068)	1,275,093	(28,716)
Culture and recreation	4,572,490	(3,438,176)	3,399,623	(2,932,312)
Interest on long-term debt	439,027	(439,027)	656,260	(656,260)
Total	$ 43,937,173	$ (31,186,979)	$ 38,890,007	$ (26,196,931)
Business-type Activities				
Water	$ 13,608,931	$ 4,458,787	$ 13,572,677	$ 5,893,792
Stormwater drainage	854,510	(82,916)	749,038	10,390
Total	$ 14,463,441	$ 4,375,871	$ 14,321,715	$ 5,904,182

- The cost of all governmental activities this year was $43.9 million. The increase of $5.0 million from the prior year was due primarily to the completion of several capital projects, such as utility undergrounding costs, roadway widening projects and completion of Naranja Park improvements, as well as operation and maintenance costs from the newly acquired community and recreation center.
- The cost of all business-type activities this year was $14.5 million. The increase of $432,093 from the prior year was primarily due to a slight increase in operation and maintenance costs.
- Federal and State governments, developer contributions, and charges for services subsidized certain governmental programs and business-type programs with revenues of $31.6 million.
- Net cost of governmental activities of $31.2 million was financed by general revenues, which are made up of primarily sales taxes and state shared revenues of $26.5 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.

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 $20.0 million, a decrease of $3.0 million. This was primarily due to the completion of several capital projects; Naranja Park ($700,000), electric utility line undergrounding ($900,000), on-site health clinic ($200,000), Aquatic Center parking lot ($280,000) and the planned use of fund balance in the Highway User Revenue Fund ($884,000).

The General Fund is the principal operating fund of the Town. The fund balance decreased by $1.4 million in the General Fund to $10.2 million for the current fiscal year due to primarily due to the authorized transfer of $1.2 million from the General Fund to the Community and Recreation Fund to fund personnel and operations and maintenance costs for the newly acquired community and recreation center. In addition, the Mayor and Town Council also authorized a one-time, lump sum payment of $300,000 toward reducing the Town's pension liability with the Public Safety Personnel System.

Proprietary funds. Net position of the Enterprise Funds at the end of the year amounted to $75.0 million. This increased by $4.5 million during the fiscal year to the extent that revenues exceeded expenses in the fund and from capital contributions from developers.

BUDGETARY HIGHLIGHTS

There were amendments to the Town of Oro Valley's fiscal year 2014-15 operating and capital budget. A schedule showing the original and final budget amounts compared to the Town's actual financial activity for the General Fund is provided in this report as required supplementary information. The significant variances are summarized as follows:

- The unfavorable variance of $499,905 in sales tax revenue was due to lower than anticipated construction sales tax collections primarily from residential construction. The adopted budget for fiscal year 2014-15 included the assumption that 200 single family residential (SFR) building permits would be issued, and only 141 SFR permits were issued during the fiscal year.

- The favorable variance of $170,747 in general government expenditures was a result of savings in personnel vacancies and operation and maintenance costs in various Town departments.

BUDGETARY HIGHLIGHTS

- The unfavorable variance of $192,102 in culture and recreation expenditures was a result of an increase in operations and maintenance costs at the Oro Valley Aquatic Center. This is offset by a favorable variance in user fees collected for aquatic activities.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. At year end, the Town had invested $244.9 million in capital assets (net of accumulated depreciation), including buildings, facilities, vehicles, computers, equipment, and infrastructure assets. This amount represents a net increase of $3.1 million from last year. This was primarily due to the purchase of the El Conquistador Country Club, repaving projects, park improvements, and expansion of the Town's water system, as well as depreciation expense of $11.8 million.

The following schedule presents capital asset balances for the fiscal years ended June 30, 2015 and June 30, 2014.

Governmental Activities	As of June 30, 2015	As of June 30, 2014
Land	$ 19,253,801	$ 18,878,468
Infrastructure	166,966,180	165,954,674
Buildings and improvements	28,715,296	25,018,388
Machinery, equipment, and vehicles	14,436,773	12,853,856
Construction in progress	3,414,286	1,853,653
Less: Accumulated depreciation	(88,716,851)	(80,961,174)
Total	$ 144,069,485	$143,597,865

Business-type Activities		
Land	$ 2,410,660	$ 2,410,660
Water rights	8,534,490	8,534,490
Water system	120,915,619	114,922,175
Stormwater system	2,846,177	2,779,503
Equipment and vehicles	5,054,493	4,467,875
Construction in progress	457,559	1,297,414
Less: Accumulated depreciation	(39,388,117)	(36,190,485)
Total	$ 100,830,881	$ 98,221,632

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Debt Administration. At year end, the Town had $54.5 million in long-term debt outstanding, $4.7 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, 2015 and June 30, 2014.

Governmental Activities	2015	2014
Revenue bonds	$ 8,179,610	$ 8,659,050
Special assessment bonds	925,000	1,055,000
Note payable	1,000,000	
Capital leases	128,594	168,994
Total	$ 10,233,204	$ 9,883,044

Business-type Activities		
Revenue bonds	$ 35,985,390	$ 38,980,950
Loan payable	8,169,765	6,376,774
Capital leases	118,862	93,593
Total	$ 44,274,017	$ 45,451,317

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 $121.2 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 5.2 percent. Pima County's and the State of Arizona's unemployment rates are 5.9 percent and 5.9 percent, respectively.

- The Town's secondary assessed valuation for the current year is $560,863,509.

- Single family residential (SFR) building permits issued in this fiscal year totaled 141, as compared to 136 SFR building permits issued last fiscal year. Projections for SFR building permits are 200 for fiscal year 2015-16.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The adopted combined operating and capital expenditure budget for fiscal year 2015-16 totals $119.7 million, an increase of $12.6 million, or 12 percent over last year's budget of $107.1 million. This increase is primarily attributed to increased outside funding from regional sources for roadway widening projects and the addition of the newly acquired community and recreation center operations to the town budget. The budget for fiscal year 2015-16 continues to place emphasis on the following: objectives in the town's updated Strategic Plan: fiscal responsibility; communication; economic development; parks, recreation and cultural development; and community infrastructure and services.

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, 2015

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	$ 24,410,773	$ 23,143,367	$ 47,554,140
Taxes receivable	777,989		777,989
Accounts receivable	508,278	1,961,700	2,469,978
Intergovernmental receivable	1,117,608		1,117,608
Special assessments	925,000		925,000
Inventories	149,348		149,348
Prepaid items	31,278	137,499	168,777
Total current assets	27,920,274	25,242,566	53,162,840
Noncurrent assets:			
Capital assets, non-depreciable	22,668,087	11,402,709	34,070,796
Capital assets, depreciable (net)	121,401,398	89,428,171	210,829,569
Total noncurrent assets	144,069,485	100,830,880	244,900,365
Total assets	171,989,759	126,073,446	298,063,205
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	123,753	1,923,123	2,046,876
Pension plan items	5,714,166	431,552	6,145,718
Total deferred outflows of resources	5,837,919	2,354,675	8,192,594
LIABILITIES			
Current liabilities:			
Accounts payable	3,121,502	341,826	3,463,328
Accrued wages and benefits	1,760,188	177,710	1,937,898
Intergovernmental payable	237,378	1,133,374	1,370,752
Interest payable		802,628	802,628
Unearned revenue	402,560		402,560
Customer deposits payable	189,178	533,123	722,301
Other accrued liabilities	822,049		822,049
Note payable	300,000		300,000
Compensated absences	1,579,271	193,768	1,773,039
Capital leases payable	41,608	38,439	80,047
Loans payable		556,811	556,811
Bonds payable	665,920	3,054,080	3,720,000
Total current liabilities	9,119,654	6,831,759	15,951,413
Noncurrent liabilities:			
Non-current portion of long-term obligations	36,786,115	45,920,967	82,707,082
Total noncurrent liabilities	36,786,115	45,920,967	82,707,082
Total liabilities	45,905,769	52,752,726	98,658,495
DEFERRED INFLOWS OF RESOURCES			
Pension plan items	4,015,632	724,253	4,739,885
NET POSITION			
Net investment in capital assets	133,800,218	54,858,448	188,658,666
Restricted for:			
Public safety	264,386		264,386
Capital outlay	3,166,835		3,166,835
Debt service	168,745		168,745
Unrestricted	(9,493,907)	20,092,694	10,598,787
Total net position	$ 127,906,277	$ 74,951,142	$ 202,857,419

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, 2015

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary Government					
Governmental activities:					
General government	$ 11,533,702	$ 3,516,359	$ 216,949	$	$ (7,800,394)
Public safety	16,587,168	29,097	678,092	173,350	(15,706,629)
Highway and streets	9,400,140	496,098	2,958,980	2,283,377	(3,661,685)
Transit	1,404,646	72,783	1,190,795		(141,068)
Culture and recreation	4,572,490	1,108,734	25,580		(3,438,176)
Interest on long-term debt	439,027				(439,027)
Total governmental activities	43,937,173	5,223,071	5,070,396	2,456,727	(31,186,979)
Business-type activities:					
Water	13,608,931	16,088,681		1,979,037	
Stormwater drainage	854,510	771,594			
Total business-type activities	14,463,441	16,860,275		1,979,037	
Total primary government	$ 58,400,614	$ 22,083,346	$ 5,070,396	$ 4,435,764	(31,186,979)

General revenues:	
Taxes:	
Sales taxes	16,132,159
Franchise taxes	582,064
Unrestricted state shared revenues	10,413,464
Investment earnings	216,175
Transfers	3,119
Total general revenues and transfers	27,346,981
Changes in net position	(3,839,998)
Net position, beginning of year, as restated	131,746,275
Net position, end of year	$ 127,906,277

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
$	$ (7,800,394)
	(15,706,629)
	(3,661,685)
	(141,068)
	(3,438,176)
	(439,027)
	(31,186,979)
4,458,787	4,458,787
(82,916)	(82,916)
4,375,871	4,375,871
4,375,871	(26,811,108)
	16,132,159
	582,064
	10,413,464
124,887	341,062
(3,119)	
121,768	27,468,749
4,497,639	657,641
70,453,503	202,199,778
$ 74,951,142	$ 202,857,419

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FUND FINANCIAL STATEMENTS

TOWN OF ORO VALLEY, ARIZONA
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2015

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	$ 11,640,382	$ 12,038,502	$ 23,678,884
Taxes receivable	777,989		777,989
Accounts receivable	317,723	190,555	508,278
Intergovernmental receivable	514,972	602,636	1,117,608
Special assessments		925,000	925,000
Inventories		149,348	149,348
Prepaid items	31,278		31,278
Total assets	$ 13,282,344	$ 13,906,041	$ 27,188,385
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 552,169	$ 2,502,009	$ 3,054,178
Accrued wages and benefits	1,659,940	100,248	1,760,188
Intergovernmental payable	237,378		237,378
Sales tax payable	305,915		305,915
Unearned revenue	185,889	216,671	402,560
Customer deposits payable	189,178		189,178
Other accrued liabilities		353,433	353,433
Total liabilities	3,130,469	3,172,361	6,302,830
Deferred inflows of resources:			
Unavailable revenues - special assessments		925,000	925,000
Fund balances:			
Nonspendable	31,278	149,348	180,626
Restricted		3,599,966	3,599,966
Committed		4,637,773	4,637,773
Assigned	1,553,999	1,421,593	2,975,592
Unassigned	8,566,598		8,566,598
Total fund balances	10,151,875	9,808,680	19,960,555
Total liabilities, deferred inflows of resources and fund balances	$ 13,282,344	$ 13,906,041	$ 27,188,385

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

TOWN OF ORO VALLEY, ARIZONA
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2015

Total governmental fund balances		**$ 19,960,555**
Amounts reported for *governmental activities* in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Governmental capital assets	$ 232,786,336	
Less accumulated depreciation	(88,716,851)	144,069,485
Special assessments receivable are not available to pay for current period expenditures and therefore are reported as unavailable revenue in the funds.		925,000
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	123,753	
Deferred bond premium	(36,063)	87,690
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions	5,714,166	
Deferred inflows of resources related to pensions	(4,015,632)	1,698,534
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.		405,186
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Special assessment bonds	(925,000)	
Revenue bonds	(8,179,610)	
Note payable	(1,000,000)	
Capital leases	(128,594)	
Net pension liability	(26,982,262)	
Compensated absences	(2,024,707)	(39,240,173)
Net position of governmental activities		**$ 127,906,277**

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, 2015

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues:			
Sales taxes	$ 14,637,000	$ 1,495,159	$ 16,132,159
Franchise taxes	582,064		582,064
Development impact fees		439,637	439,637
Special assessments		178,078	178,078
Intergovernmental	12,456,454	5,258,537	17,714,991
Licenses, fees & permits	1,551,289	54,648	1,605,937
Fines, forfeitures & penalties	1,850	219,721	221,571
Charges for services	2,341,850	649,976	2,991,826
Investment earnings	168,749	47,426	216,175
Other		141,618	141,618
Total revenues	31,739,256	8,484,800	40,224,056
Expenditures:			
Current -			
General government	10,233,468	629,085	10,862,553
Public safety	14,737,153	334,243	15,071,396
Highway and streets		2,602,321	2,602,321
Transit	1,404,646		1,404,646
Culture and recreation	2,914,719	1,164,098	4,078,817
Capital outlay		8,093,704	8,093,704
Debt service -			
Principal retirement	40,400	609,440	649,840
Interest and fiscal charges	5,053	430,957	436,010
Total expenditures	29,335,439	13,863,848	43,199,287
Excess (deficiency) of revenues over expenditures	2,403,817	(5,379,048)	(2,975,231)
Other financing sources (uses):			
Transfers in	185,000	4,141,627	4,326,627
Transfers out	(3,970,965)	(352,543)	(4,323,508)
Total other financing sources (uses):	(3,785,965)	3,789,084	3,119
Changes in fund balances	(1,382,148)	(1,589,964)	(2,972,112)
Fund balances, beginning of year	11,534,023	11,398,644	22,932,667
Fund balances, end of year	$ 10,151,875	$ 9,808,680	$ 19,960,555

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

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, 2015

Net changes in fund balances - total governmental funds		**$ (2,972,112)**
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	$ 8,958,475	
Less current year depreciation	(8,462,938)	495,537
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.		(130,000)
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	40,400	
Revenue bond principal retirement	479,440	
Special assessment bond principal retirement	130,000	649,840
Issuance of obligations under note payables provide current financial resources to governmental funds, but the issuance increases long term liabilities in the Statement of Net Position.		(1,000,000)
Governmental funds report pension contributions as expenditures. However, they are reported as deferred outflows of resources in the Statement of Net Position. The change in the net pension liability, adjusted for deferred pension items, is reported as pension expense in the Statement of Activities.		
Current year pension contributions	2,365,755	
Pension expense	(2,794,180)	(428,425)
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	(11,332)	
Loss on disposal of capital assets	(23,917)	
Compensated absences	(262,160)	(289,094)
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.		(165,744)
Change in net position in governmental activities		**$ (3,839,998)**

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, 2015

	Enterprise Funds		
	Water	Non-Major Enterprise Funds	Totals
ASSETS			
Current assets:			
Cash and cash equivalents	$ 22,843,523	$ 299,844	$ 23,143,367
Accounts receivable	1,866,198	95,502	1,961,700
Prepaid items	137,499		137,499
Total current assets	24,847,220	395,346	25,242,566
Noncurrent assets:			
Capital assets, non-depreciable	11,402,709		11,402,709
Capital assets, depreciable (net)	86,136,370	3,291,801	89,428,171
Total noncurrent assets	97,539,079	3,291,801	100,830,880
Total assets	122,386,299	3,687,147	126,073,446
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	1,923,123		1,923,123
Pension plan items	387,196	44,356	431,552
Total deferred outflows of resources	2,310,319	44,356	2,354,675
LIABILITIES			
Current liabilities:			
Accounts payable	340,891	935	341,826
Accrued wages and benefits	157,219	20,491	177,710
Intergovernmental payable	1,133,374		1,133,374
Interest payable	802,628		802,628
Customer deposits payable	533,123		533,123
Compensated absences	179,584	14,184	193,768
Capital leases payable		38,439	38,439
Loans payable	556,811		556,811
Bonds payable	3,054,080		3,054,080
Claims payable			
Total current liabilities	6,757,710	74,049	6,831,759
Noncurrent liabilities:			
Non-current portion of long-term obligations	45,473,697	447,270	45,920,967
Total noncurrent liabilities	45,473,697	447,270	45,920,967
Total liabilities	52,231,407	521,319	52,752,726
DEFERRED INFLOWS OF RESOURCES			
Pension plan items	649,812	74,441	724,253
NET POSITION			
Net investment in capital assets	51,685,509	3,172,939	54,858,448
Unrestricted	20,129,890	(37,196)	20,092,694
Total net position	$ 71,815,399	$ 3,135,743	$ 74,951,142

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

Governmental Activities: Internal Service Funds
$ 731,889
731,889
731,889
11,006
11,006
67,324
162,701
230,025
89,213
89,213
319,238
18,471
405,186
$ 405,186

TOWN OF ORO VALLEY, ARIZONA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Enterprise Funds		
	Water	Non-Major Enterprise Funds	Totals
Operating revenues:			
Charges for services	$ 14,271,442	$ 771,578	$ 15,043,020
Other	54,024	16	54,040
Self insurance premiums			
Total operating revenues	14,325,466	771,594	15,097,060
Operating expenses:			
Costs of sales and services	8,865,253	703,423	9,568,676
Depreciation and amortization	3,174,709	151,087	3,325,796
Claims payments			
Administrative fees			
Reinsurance premiums			
Total operating expenses	12,039,962	854,510	12,894,472
Operating income (loss)	2,285,504	(82,916)	2,202,588
Nonoperating revenues (expenses):			
Development impact fees	1,172,170		1,172,170
Connection fees	591,045		591,045
Investment earnings	124,593	294	124,887
Interest expense	(1,568,969)		(1,568,969)
Total nonoperating revenues (expenses)	318,839	294	319,133
Income (loss) before capital contributions and transfers	2,604,343	(82,622)	2,521,721
Capital contributions	1,979,037		1,979,037
Transfers out	(3,119)		(3,119)
Changes in net position	4,580,261	(82,622)	4,497,639
Total net position, beginning of year, as restated	67,235,138	3,218,365	70,453,503
Total net position, end of year	$ 71,815,399	$ 3,135,743	$ 74,951,142

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

Governmental Activities: Internal Service Funds
$ 1,409,174
46,936
2,486,095
3,942,205
1,325,240
2,168,380
57,000
557,329
4,107,949
(165,744)
(165,744)
(165,744)
570,930
$ 405,186

TOWN OF ORO VALLEY, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Enterprise Funds			Governmental Activities
	Water	Non-Major Enterprise Funds	Total	Internal Service Funds
Increase (Decrease) in Cash and Cash Equivalents				
Cash flows from operating activities:				
Cash received from customers	$ 14,690,326	$ 764,194	$ 15,454,520	$ 1,456,110
Cash received from premiums				2,486,095
Cash payments to suppliers for goods and services	(6,990,867)	(18,468)	(7,009,335)	(1,837,190)
Cash payments to employees for services	(2,821,306)	(694,857)	(3,516,163)	(81,242)
Cash payments for claims				(2,168,380)
Net cash provided by operating activities	4,878,153	50,869	4,929,022	(144,607)
Cash flows from noncapital and related financing activities:				
Interfund transfers	(3,119)		(3,119)	
Connection fees	591,045		591,045	
Net cash provided by noncapital financing activities	587,926		587,926	
Cash flows from capital and related financing activities:				
Development impact fees	1,172,170		1,172,170	
Acquisition of capital assets	(3,581,621)	(58,966)	(3,640,587)	
Proceeds from loans	2,353,843		2,353,843	
Principal paid on long-term debt	(3,556,411)	(209,093)	(3,765,504)	
Interest on long-term debt	(1,573,911)		(1,573,911)	
Net cash used for capital and related financing activities	(5,185,930)	(268,059)	(5,453,989)	
Cash flows from investing activities:				
Investment income	124,593	294	124,887	
Net cash provided by investing activities	124,593	294	124,887	
Net increase in cash and cash equivalents	404,742	(216,896)	187,846	(144,607)
Cash and cash equivalents, beginning of year	22,438,781	516,740	22,955,521	876,496
Cash and cash equivalents, end of year	$ 22,843,523	$ 299,844	$ 23,143,367	$ 731,889
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities				
Operating income (loss)	$ 2,285,504	$ (82,916)	$ 2,202,588	$ (165,744)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation and amortization	3,174,709	151,087	3,325,796	
Change in assets and liabilities:				
Accounts receivable	250,718	(7,400)	243,318	
Prepaid items	(135,499)		(135,499)	
Accounts payable	(811,569)	(18,468)	(830,037)	(44,160)
Claims payable				67,146
Accrued payroll and employee benefits	54,461	7,225	61,686	
Compensated absences payable	10,746	8,794	19,540	
Deposits held for others	114,143		114,143	
Pension items	(65,060)	(7,453)	(72,513)	(1,849)
Total adjustments	2,592,649	133,785	2,726,434	21,137
Net cash provided by (used for) operating activities	$ 4,878,153	$ 50,869	$ 4,929,022	$ (144,607)
Non-cash capital and financing activities				
Contribution of assets from developers	$ 1,979,037	$	$ 1,979,037	
Capital lease agreements		234,362	234,362	

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

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, 2015, the Town implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. 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. This Statement also enhances accountability and transparency through revised note disclosures and new required supplementary information.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 fund.

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

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.

Arizona statute requires a pooled collateral program for public deposits and a Statewide Collateral Pool Administrator (Administrator) in the State Treasurer's Office. The purpose of the pooled collateral program is to ensure that governmental entities' public deposits placed in participating depositories are secured with collateral of 102 percent of the public deposits, less any applicable deposit insurance. An eligible depository may not retain or accept any public deposit unless it has deposited the required collateral with a qualified escrow agent or the Administrator. The Administrator manages the pooled collateral program, including reporting on each depository's compliance with the program.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

E. Investment Income

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

F. Receivables and Payables

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

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

G. Inventory

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories consist of expendable supplies held for consumption. Inventories are recorded as expenses when consumed on the government-wide financial statements and the fund financial statements

H. 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

I. 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:

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

J. 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

K. 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.

L. Pensions

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

M. 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

N. 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.

O. 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.

P. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

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.

NOTE 3 – FUND BALANCE CLASSIFICATIONS

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.

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.

NOTE 3 – FUND BALANCE CLASSIFICATIONS

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

	General Fund	Non-Major Governmental Funds
Fund Balances:		
Nonspendable:		
Inventory	$	$ 149,348
Prepaid items	31,278	
Restricted:		
Debt service		168,745
Capital projects		3,166,835
Public safety		264,386
Committed		4,637,773
Assigned:		
Compensated absences	1,356,608	
Unemployment claims	197,391	
Townwide capital		1,421,593
Unassigned	8,566,598	
Total fund balances	$ 10,151,875	$ 9,808,680

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.

NOTE 4 – CASH AND INVESTMENTS

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 $2,879,201 and the bank balance was $1,697,304.

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

		Investments Maturities (in Years)	
Investment Type	Fair Value	Less than 1	1-5
Money Market - U.S. Treasuries	$ 4,889,890	$ 4,889,890	$
Municipal Securities	230,660		230,660
Commercial Paper	1,448,690	1,448,690	
U.S. Treasury Bonds/Notes	28,339,147	709,843	27,629,304
U.S. Agencies Bonds/Notes	5,143,732		5,143,732
		$ 7,048,423	$ 33,003,696
County Treasurer's investment pool	401,570	223 days average maturities	
State Treasurer's investment pool 5	4,221,250	40 days average maturities	
Total	$44,674,939		

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.

NOTE 4 – CASH AND INVESTMENTS

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, municipal bonds, and commercial paper were rated AA+, AAA, and A-1 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 five percent of the Town's investments are in Federal Home Loan Mortgage Corporation notes, which make up five 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 fund in the aggregate, were as follows:

	General Fund	Non-Major Governmental Funds
Intergovernmental receivables:		
Due from federal government	$ 117,115	$
Due from state government	397,857	273,882
Due from other governments		328,754
Net intergovernmental receivables	$ 514,972	$ 602,636

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	$ 375,333	$	$ 19,253,801
Construction in progress	1,853,653	3,070,079	1,509,446	3,414,286
Total capital assets, not being depreciated	20,732,121	3,445,412	1,509,446	22,668,087
Capital assets, being depreciated:				
Infrastructure	165,954,674	1,011,506		166,966,180
Buildings and improvements	25,018,388	3,711,618	14,710	28,715,296
Machinery, equipment, and vehicles	12,853,856	2,299,385	716,468	14,436,773
Total capital assets being depreciated	203,826,918	7,022,509	731,178	210,118,249
Less accumulated depreciation for:				
Infrastructure	(67,366,548)	(6,431,907)		(73,798,455)
Buildings and improvements	(4,986,493)	(665,673)	(25)	(5,652,141)
Machinery, equipment, and vehicles	(8,608,133)	(1,365,358)	(707,236)	(9,266,255)
Total accumulated depreciation	(80,961,174)	(8,462,938)	(707,261)	(88,716,851)
Total capital assets, being depreciated, net	122,865,744	(1,440,429)	23,917	121,401,398
Governmental activities capital assets, net	$ 143,597,865	$ 2,004,983	$ 1,533,363	$ 144,069,485

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	342,724	1,182,579	457,559
Total capital assets, not being depreciated	12,242,564	342,724	1,182,579	11,402,709
Capital assets, being depreciated:				
Water system	114,922,175	5,993,444		120,915,619
Stormwater system	2,779,503	66,674		2,846,177
Equipment and vehicles	4,467,875	616,136	29,519	5,054,492
Total capital assets being depreciated	122,169,553	6,676,254	29,519	128,816,288
Less accumulated depreciation for:				
Water system	(32,898,940)	(2,886,515)		(35,785,455)
Stormwater system	(251,227)	(60,123)		(311,350)
Equipment and vehicles	(3,040,318)	(274,890)	(23,896)	(3,291,312)
Total accumulated depreciation	(36,190,485)	(3,221,528)	(23,896)	(39,388,117)
Total capital assets, being depreciated, net	85,979,068	3,454,726	5,623	89,428,171
Business-type activities capital assets, net	$ 98,221,632	$ 3,797,450	$ 1,188,202	$ 100,830,880

NOTE 6 – CAPITAL ASSETS

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	$ 618,730
Public Safety	579,208
Highways and streets	6,759,864
Culture and recreation	505,136
Total depreciation expense – governmental activities	8,462,938
Business-type activities:	
Water	3,070,442
Stormwater	151,086
Total depreciation expense – business-type activities	$3,221,528

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

NOTE 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.

Business-type activities:	Interest Rate (Including Fees)	Remaining Maturities	Outstanding Principal June 30, 2015	Due Within One Year
WIFA Loan, 2007	2.04%	7/1/15-27	$ 3,235,941	$ 205,999
WIFA Loan, 2009	2.75%	7/1/15-29	1,777,300	94,462
WIFA Loan, 2014	2.65%	7/1/15-25	3,156,524	256,350
Total			$ 8,169,765	$ 556,811

NOTE 7 – LOANS PAYABLE

Principal and interest payments on the business-type activities loans payable at June 30, 2015 are summarized as follows:

	Business-type Activities	
Year ending June 30:	Principal	Interest
2016	$ 556,811	$ 277,869
2017	577,857	310,070
2018	599,707	283,952
2019	622,395	256,817
2020	645,949	228,629
2021-25	3,615,883	680,485
2026-30	1,551,163	96,853
Total	$ 8,169,765	$ 2,134,675

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.

Purpose	Original Amount Issued	Interest Rates	Remaining Maturities	Outstanding Principal June 30, 2015	Due Within One Year
Governmental activities:					
Revenue Bonds, 2005	$ 4,164,050	3.50-4.25%	7/1/15-25	$ 2,690,050	$ 201,000
Refunding Revenue Bonds, 2007	1,389,180	4.25-5.00%	7/1/15-26	1,249,560	49,920
Excise Tax Revenue Obligations, 2010	2,445,000	3.72-6.59%	7/1/15-27	1,915,000	135,000
Revenue Bonds, 2012	2,580,000	2.00-4.00%	7/1/15-27	2,325,000	145,000
Total				$ 8,179,610	$ 530,920

NOTE 8 – BONDS PAYABLE

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

	Governmental Activities	
Year ending June 30:	Principal	Interest
2016	$ 530,920	$ 350,711
2017	539,960	330,665
2018	554,000	308,392
2019	581,390	283,392
2020	599,560	257,109
2021-25	3,661,090	813,377
2026-28	1,712,690	102,727
Total	$ 8,179,610	$ 2,446,373

Purpose	Original Amount Issued	Interest Rates	Remaining Maturities	Outstanding Principal June 30, 2015	Due Within One Year
Business-type activities:					
Revenue Bonds, 2005	$ 2,050,950	3.50-4.25%	7/1/15-25	$ 1,324,950	$ 99,000
Refunding Revenue Bonds, 2007	16,420,820	4.25-5.00%	7/1/15-26	14,770,440	590,080
Refunding Revenue Bonds, 2012	16,595,000	2.00-5.00%	7/1/15-28	14,955,000	1,390,000
Refunding Revenue Bonds, 2013	6,355,000	1.45%	7/1/15-19	4,935,000	975,000
Total				$ 35,985,390	$ 3,054,080

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

	Business-type Activities	
Year ending June 30:	Principal	Interest
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	3,440,440	930,527
2021-25	14,798,910	2,434,493
2026-29	4,982,310	346,033
Total	$ 35,985,390	$ 8,470,411

NOTE 8 – BONDS PAYABLE

Pledged revenues – governmental activities. The Town has pledged future sales (excise) tax revenues to repay outstanding revenue bonds and refunding revenue bonds of $8.2 million as of June 30, 2015. 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 seven percent of gross revenues. The total principal and interest to be paid on the bonds is $10.6 million. The current total sales tax revenues were $16.1 million and the total principal and interest paid on the bonds was $847,431, or five percent 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 $36.0 million as of June 30, 2015. 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 percent of gross revenues. The total principal and interest to be paid on the bonds is $44.5 million. The current total customer gross revenues were $16.1 million and the total principal and interest paid on the bonds was $4.3 million or 27 percent 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.

Purpose	Original Amount Issued	Interest Rates	Remaining Maturities	Outstanding Principal June 30, 2015	Due Within One Year
Governmental activities:					
Special assessments debt	$3,945,000	4.30-5.00%	1/1/16-21	$ 925,000	$ 135,000
Total				$ 925,000	$ 135,000

NOTE 9 – SPECIAL ASSESSMENT BONDS

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

	Governmental Activities	
Year ending June 30:	Principal	Interest
2016	$ 135,000	$ 40,152
2017	145,000	33,557
2018	150,000	26,520
2019	160,000	19,428
2020	165,000	11,911
2021	170,000	4,037
Total	$ 925,000	$ 135,605

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. Amortization of assets recorded under capital leases is included with depreciation expense.

	Governmental Activities
Asset:	
Vehicles	$ 212,895
Less: Accumulated depreciation	59,024
Total	$ 153,871

NOTE 10 – OBLIGATIONS UNDER CAPITAL LEASES

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

Year Ending June 30:	Governmental Activities
2016	$ 45,453
2017	45,453
2018	45,453
Total minimum lease payments	136,359
Less: amount representing interest	7,764
Present value of minimum lease payments	$ 128,595
Due within one year	$ 41,608

The business-type activities of the Town have acquired a wheel loader under the provisions of a long-term lease agreement classified as a capital lease. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its future minimum lease payments as of the inception date. Revenues from the Stormwater Fund are used to pay the capital lease obligations. Amortization of assets recorded under capital leases is included with depreciation expense.

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

	Business-type Activities
Asset:	
Machinery, equipment, and vehicles	$ 234,362
Less: Accumulated depreciation	18,028
Total	$ 216,334

NOTE 10 – OBLIGATIONS UNDER CAPITAL LEASES

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:	Business-type Activities
2016	$ 42,055
2017	42,055
2018	42,055
Total minimum lease payments	126,165
Less: amount representing interest	7,303
Present value of minimum lease payments	$ 118,862
Due within one year	$ 38,439

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	$ 8,659,050	$	$ 479,440	$ 8,179,610	$ 530,920
Bond premium	44,378		8,315	36,063	
Total bonds payable	8,703,428		487,755	8,215,673	530,920
Special assessments payable	1,055,000		130,000	925,000	135,000
Note payable		1,000,000		1,000,000	300,000
Capital leases payable	168,994		40,400	128,594	41,608
Net pension liability	24,953,830	2,125,110		27,078,940	
Compensated absences payable	1,762,547	1,613,713	1,351,553	2,024,707	1,579,271
Governmental activity long-term liabilities	$ 36,643,799	$ 4,738,823	$ 2,009,708	$ 39,372,914	$ 2,586,799

NOTE 11 – CHANGES IN LONG-TERM LIABILITIES

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities:					
Revenue bonds payable	$ 38,980,950	$	$ 2,995,560	$ 35,985,390	$ 3,054,080
Deferred bond premium	1,830,293		131,878	1,698,415	
Total bonds payable	40,811,243		3,127,438	37,683,805	3,054,080
Loan payable	6,376,774	2,353,843	560,852	8,169,765	556,811
Capital leases payable	93,593	234,362	209,093	118,862	38,439
Net pension liability	3,863,260		365,214	3,498,046	
Compensated absences payable	291,634	253,361	251,408	293,587	193,768
Business-type activities long-term liabilities	$ 51,436,504	$ 2,841,566	$ 4,514,005	$ 49,764,065	$ 3,843,098

NOTE 12 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund transfers:

	Transfers in		
Transfers out	General Fund	Non-Major Governmental Funds	Total
General Fund	$	$ 3,970,965	3,970,965
Non-Major Governmental Funds	185,000	167,543	352,543
Water Fund		3,119	3,119
Total	$ 185,000	$ 4,141,627	4,326,627

Transfers were made from the General, Bed Tax, and Water Funds to the Municipal Debt Service Fund for debt service. In addition, transfers were made from the General Fund to the General Government CIP Fund to fund capital projects for the upcoming fiscal year, 2015-16. Transfers were also made from the General Fund to the Community Center Fund to fund the operations of the new community and recreation center. Finally, transfers were made from the Bed Tax Fund to the General Fund to subsidize the operating costs related to the Aquatics Center.

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.

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 $125,000 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 past three fiscal years.

NOTE 14 – RISK MANAGEMENT

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
2014-15	$ 95,555	$ 1,951,936	$ 1,884,790	$ 162,701
2013-14	87,134	1,592,726	1,584,305	95,555

NOTE 15 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

The Town contributes to the pension plans described below. The Town also contributes to the Elected Officials Retirement Plan; however the plan is not described below because of its relative insignificance to the financial statements. The plans are component units of the State of Arizona.

The Town reported $2.4 million of pension expenditures in the governmental funds and $260,000 in enterprise funds related to all pension plans to which it contributes.

A. Arizona State Retirement System

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

NOTE 15 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

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

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

*With actuarially reduced benefits

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

Contributions. In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the current fiscal year, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.60 percent (11.48 percent for retirement and 0.12 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 11.60 percent (10.89 percent for retirement, 0.59 percent for health insurance premium benefit, and 0.12 percent for long-term disability) of the members' annual covered payroll. The Town's contributions to the pension plan for the year ended June 30, 2015 were $1.2 million.

NOTE 15 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

The Town's contributions for the current and two preceding years for the Arizona State Retirement System OPEB, all of which were equal to the required contributions, were as follows:

Year ending June 30:	Health Benefit Supplement Fund	Long-Term Disability Fund
2015	$ 65,413	$ 13,304
2014	61,821	24,728
2013	69,082	25,507

Pension Liability. At June 30, 2015, the Town reported a liability of $16.6 million for its proportionate share of the net pension liability of the ASRS. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2013, to the measurement date of June 30, 2014. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2014 and 2013, the Town's proportion was 0.11 percent.

Pension Expense and Deferred Outflows/Inflows of Resources. For the year ended June 30, 2015, the Town recognized pension expense for ASRS of $862,365 and reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 845,831	$
Changes of assumptions or other inputs		
Net difference between projected and actual earnings on pension plan investments		2,910,297
Changes in proportion and differences between contributions and proportionate share of contributions		535,471
Contributions subsequent to the measurement date	1,207,362	
Total	$ 2,053,193	$ 3,445,768

NOTE 15 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

The deferred outflows of resources related to ASRS pensions resulting from contributions subsequent to the measurement date as reported in the table above will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

Year Ending June 30:		
2016	$	(592,635)
2017		(592,635)
2018		(687,092)
2019		(727,575)

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

Actuarial valuation date	June 30, 2013
Actuarial roll forward date	June 30, 2014
Actuarial cost method	Entry age normal
Investment rate of return	8.0%
Projected salary increases	3.0-6.75%
Inflation	3.0%
Permanent base increases	Included
Mortality rates	1994 GAM Scale BB

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2012. The purpose of the experience study was to review actual experience in relation to the actuarial assumptions in effect. The ASRS Board adopted the experience study recommended changes which were applied to the June 30, 2013, actuarial valuation. The study did not include an analysis of the assumed investment rate of return.

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

NOTE 15 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

The target allocation and best estimates of arithmetic real rates of return for each major asset class of ASRS are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	63%	7.03%
Fixed income	25	3.20
Real estate	8	4.75
Commodities	4	4.50
Total	100%	

Discount Rate. The discount rate used to measure the ASRS total pension liability was 8.0 percent, which is less than the long-term expected rate of return of 8.79 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 8.0 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
Proportionate share of the net pension liability	$21,035,535	$16,642,712	$14,259,385

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued ASRS financial report. The report is available on the ASRS website at www.azasrs.gov.

NOTE 15 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

B. Public Safety Personnel Retirement System and Corrections Officer Retirement Plan

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

Town dispatchers participate in the Corrections Officer Retirement Plan (CORP). The CORP administers an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium benefit (OPEB) plan. A seven-member board known as the Board of Trustees and the participating local boards govern CORP according to the provisions of A.R.S. Title 38, Chapter 5, Article 6.

The PSPRS and CORP issue publicly available financial reports that include their financial statements and required supplementary information. The reports are available on the PSPRS website at www.psprs.com.

Benefits Provided. The PSPRS and CORP provide retirement, health insurance premium supplement, disability, and survivor benefits. State statute establishes benefits terms. Certain retirement and disability benefits are calculated on the basis of age, average monthly compensation, and service credit as follows. See the publicly available PSPRS and CORP financial reports for additional benefits information.

NOTE 15 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

Public Safety Personnel Retirement System:

	Retirement Initial Membership Date:	
	Before January 1, 2012	On or After January 1, 2012
Years of service and age required to receive benefit	20 years any age 15 years age 62	25 years and age 52.5
Final average salary is based on	Highest 36 months of last 20 years	Highest 60 months of last 20 years
Normal retirement	50% less 2.0% for each year of credited service less than 20 years or plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	2.5% per year of credited service, not to exceed 80%
Accidental disability retirement	50% or normal retirement, whichever is greater	
Survivor benefit:		
Retired members	80% of retired member's pension benefit	
Active members	80% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job	

Corrections Officer Retirement Plan:

	Retirement Initial Membership Date:	
	Before January 1, 2012	On or After January 1, 2012
Years of service and age required to receive benefit	Sum of years and age equals 80 25 years any age 10 years age 62	25 years and age 52.5 10 years age 62
Final average salary is based on	Highest 36 months of last 10 years	Highest 60 months of last 10 years
Normal retirement	2.0% to 2.5% per year of credited service, not to exceed 80%	
Accidental disability retirement	50% or normal retirement if more than 20 years of credited service	50% of normal retirement if more than 25 years of credited service
Survivor benefit:		
Retired members	80% of retired member's pension benefit	
Active members	40% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job	

NOTE 15 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

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

Employees Covered by Benefit Terms. At June 30, 2015, the following employees were covered by the agent pension plans' benefit terms:

	PSPRS – Police	CORP – Dispatchers
Retirees and beneficiaries	24	3
Inactive, non-retired members	10	2
Active members	96	8
Total	130	13

Contributions and Annual OPEB Cost. State statutes establish the pension contribution requirements for active PSPRS and CORP employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS and CORP pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contributions rates for the year ended June 30, 2015, are indicated below. Rates are a percentage of active members' annual covered payroll.

	PSPRS – Police	CORP – Dispatchers
Active members – pension	11.05%	7.96%
Town:		
Pension	19.34	16.83
Health insurance	1.26	1.15

NOTE 15 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

For the agent plans, the contributions to the pension plan and annual OPEB cost and contributions for the health insurance premium benefit for the year ended were:

	PSPRS – Police	CORP – Dispatchers
Pension:		
Contributions made	$ 1,354,630	$ 64,005
Health insurance premium benefit:		
Annual OPEB cost	88,254	4,374
Contributions made	88,254	4,374

Pension Liability. At June 30, 2015, the Town reported the following net pension liabilities:

PSPRS – Police	$ 12,881,586
CORP – Dispatchers	1,052,788

The net pension liabilities were measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability as of June 30, 2014, reflects changes of benefit terms and actuarial assumptions for a court ruling for funding permanent benefit increases and a decrease in the wage growth assumption.

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

	PSPRS	CORP
Actuarial valuation date	June 30, 2014	June 30, 2014
Actuarial cost method	Entry age normal	Entry age normal
Asset valuation		
Discount rate	7.85%	7.85%
Projected salary increases	4.0 - 8.0%	4.0 - 7.25%
Inflation	4.0%	4.0%
Permanent benefit increase	Included	Included
Mortality rates	RP-2000 mortality table, adjusted by 105% for both males and females	RP-2000 mortality table, adjusted by 105% for both males and females

Actuarial assumptions used in the June 30, 2014, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2011.

NOTE 15 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

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

The target allocation and best estimates of geometric real rates of return for each major asset class for all agent pension plans are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Short-term investments	2%	3.25%
Absolute return	4	6.75
Risk parity	4	6.04
Fixed income	7	4.75
Real assets	8	5.96
GTAA	10	5.73
Private equity	11	9.50
Real estate	11	6.50
Credit opportunities	13	8.00
Non-U.S. equity	14	8.63
U.S. equity	16	7.60
Total	100%	

Pension Discount Rates. The following discount rates were used to measure the total pension liabilities:

	PSPRS – Police	CORP – Dispatchers
Discount rates	7.85%	7.85%

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

NOTE 15 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

Changes in the Agent Plans Net Pension Liability: PSPRS – Police

	Increase/Decrease		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at June 30, 2014	$ 30,759,243	$ 19,978,154	$ 10,781,089
Changes for the year:			
Service cost	1,157,832		1,157,832
Interest on the total pension liability	2,408,825		2,408,825
Changes of benefit terms	444,387		444,387
Differences between expected and actual experience in the measurement of the pension liability	(356,776)		(356,776)
Changes of assumptions or other inputs	3,014,125		3,014,125
Contributions – employer		1,211,218	(1,211,218)
Contributions – employee		698,036	(698,036)
Net investment income		2,774,126	(2,774,126)
Benefit payments, including refunds of employee contributions	(1,304,993)	(1,304,993)	
Administrative expense		(22,342)	22,342
Other		(93,142)	93,142
Net changes	5,363,400	3,262,903	2,100,497
Balances at June 30, 2015	$ 36,122,643	$ 23,241,057	$ 12,881,586

Changes in the Agent Plans Net Pension Liability: CORP – Dispatchers

	Increase/Decrease		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at June 30, 2014	$ 1,974,876	$ 1,044,662	$ 930,214
Changes for the year:			
Service cost	53,985		53,985
Interest on the total pension liability	154,443		154,443
Changes of benefit terms	29,545		29,545
Differences between expected and actual experience in the measurement of the pension liability	(48,767)		(48,767)
Changes of assumptions or other inputs	174,536		174,536
Contributions – employer		63,179	(63,179)
Contributions – employee		32,699	(32,699)
Net investment income		146,441	(146,441)
Benefit payments, including refunds of employee contributions	(68,874)	(68,874)	
Administrative expense		(1,151)	1,151
Net changes	294,868	172,294	122,574
Balances at June 30, 2015	$ 2,269,744	$ 1,216,956	$ 1,052,788

NOTE 15 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

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

	1% Decrease	Current Discount Rate	1% Increase
PSPRS – Police:			
Rate	6.85%	7.85%	8.85%
Net pension liability	$ 17,864,009	$ 12,881,586	$ 8,784,432
CORP – Dispatchers:			
Rate	6.85%	7.85%	8.85%
Net pension liability	$ 1,355,148	$ 1,052,788	$ 801,092

Pension Plan Fiduciary Net Position. Detailed information about the pension plans' fiduciary net position is available in the separately issued PSPRS and CORP financial reports. The reports are available on the PSPRS website at www.psprs.com.

Pension Expense. For the year ended June 30, 2015, the Town's recognized the following pension expense:

	Pension Expense
PSPRS – Police	$ 1,985,055
CORP – Dispatchers	132,640

Pension Deferred Outflows/Inflows of Resources. At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PSPRS – Police:	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$	$ 299,944
Changes of assumptions or other inputs	2,533,993	
Net difference between projected and actual earnings on pension plan investments		907,389
Contributions subsequent to the measurement date	1,354,630	
Total	$ 3,888,623	$ 1,207,333

NOTE 15 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

CORP – Dispatchers:	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$	$ 39,089
Changes of assumptions or other inputs	139,897	
Net difference between projected and actual earnings on pension plan investments		47,695
Contributions subsequent to the measurement date	64,005	
Total	$ 203,902	$ 86,784

The amounts reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (or an increase in the net pension asset) in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:	PSPRS – Police	CORP – Dispatchers
2016	$ 196,453	$ 13,037
2017	196,453	13,037
2018	196,453	13,037
2019	196,453	13,037
2020	423,300	965
Thereafter	117,548	- 0 -

Agent Plan OPEB Trend Information. The table below presents the annual OPEB cost information for the health insurance premium benefit for the current and two preceding years:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Obligation
PSPRS – Police:			
June 30, 2015	$ 88,254	$ 88,254	$- 0 -
June 30, 2014	75,539	75,539	- 0 -
June 30, 2013	84,632	84,362	- 0 -
CORP – Dispatchers:			
June 30, 2015	4,374	4,374	$- 0 -
June 30, 2014	4,533	4,533	- 0 -
June 30, 2013	5,093	5,093	- 0 -

NOTE 15 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

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

Projections of benefits are based on (1) the plans as understood by the Town and plans' members and include the types of benefits inforce at the valuation date, and (2) the pattern of sharing benefit costs between the Town and plans' members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The significant actuarial methods and assumptions used are the same for all PSPRS and CORP plans and related benefits (unless noted), and the actuarial methods and assumptions used to establish the fiscal year 2015 contribution requirements, are as follows:

	PSPRS	CORP
Actuarial valuation date	June 30, 2013	June 30, 2013
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	23 years for unfunded actuarial accrued liability, 20 years for excess	23 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value (80%/120% market)	7-year smoothed market value (80%/120% market)
Actuarial assumptions:		
Investment rate of return	7.85%	7.85%
Projected salary increases	4.5%-8.5%	4.5%-7.75%
includes inflation at	4.5%	4.5%

NOTE 15 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

The funded status of the all the PSPRS and CORP health insurance premium benefit plans in the June 30, 2014, actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement.

	PSPRS	CORP
Actuarial valuation date	June 30, 2014	June 30, 2014
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	22 years for unfunded actuarial accrued liability, 20 years for excess	22 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value (80%/120% market)	7-year smoothed market value (80%/120% market)
Actuarial assumptions:		
Investment rate of return	7.85%	7.85%
Projected salary increases	4%-8%	4%-7.25%
includes inflation at	4%	4%

Agent Plan OPEB Funded Status. The following table presents the funded status of the health insurance premium benefit plans as of the most recent valuation date, June 30, 2014.

	PSPRS – Police	CORP – Dispatchers
Actuarial value of assets	$ 920,139	$ 78,501
Actuarial accrued liability	937,923	67,692
Unfunded actuarial accrued asset (liability)	(17,784)	10,809
Funded ratio	98.10%	115.97%
Annual covered payroll	6,446,142	410,789
Unfunded actuarial accrued asset (liability) as a percentage of covered payroll	(0.28)%	2.63%

NOTE 15 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

Beginning Net Position Restatement. The implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, represents a change in accounting principle. Net position as of July 1, 2014, has been restated as follows for this change in accounting principle:

	Statement of Activities	
	Governmental Activities	Business-Type Activities
Net position, June 30, 2014, as previously reported	$ 156,700,105	$ 74,316,763
Net pension liability	(24,953,830)	(3,863,260)
Net position, July 1, 2014, as restated	$ 131,746,275	$ 70,453,503

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, 2015

	Budgeted Amounts		Variance with Final Budget Positive
	Original & Final	Actual	(Negative)
Revenues:			
Sales taxes	$ 15,136,905	$ 14,637,000	$ (499,905)
Franchise taxes	540,000	582,064	42,064
Intergovernmental	12,523,427	12,456,454	(66,973)
Licenses, fees & permits	1,805,547	1,551,289	(254,258)
Fines, forfeitures & penalties	180,000	1,850	(178,150)
Charges for services	1,688,995	2,341,850	652,855
Investment earnings	81,125	168,749	87,624
Other	135,000		(135,000)
Total revenues	32,090,999	31,739,256	(351,743)
Expenditures:			
Current -			
General government	10,404,215	10,233,468	170,747
Public safety	14,840,366	14,737,153	103,213
Transit	1,553,149	1,404,646	148,503
Culture and recreation	2,722,617	2,914,719	(192,102)
Debt service -			
Principal retirement	40,400	40,400	
Interest and fiscal charges	5,053	5,053	
Total expenditures	29,565,800	29,335,439	230,361
Excess (deficiency) of revenues over expenditures	2,525,199	2,403,817	(121,382)
Other financing sources (uses):			
Transfers in	185,000	185,000	
Transfers out	(4,090,965)	(3,970,965)	120,000
Total other financing sources (uses):	(3,905,965)	(3,785,965)	120,000
Changes in fund balances	(1,380,766)	(1,382,148)	(1,382)
Fund balances (deficits), beginning of year	(9,234)	11,534,023	11,543,257
Fund balances (deficits), end of year	$ (1,390,000)	$ 10,151,875	$ 11,541,875

See accompanying notes to this schedule.

TOWN OF ORO VALLEY, ARIZONA
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
ARIZONA STATE RETIREMENT SYSTEM
YEAR ENDED JUNE 30, 2015

		2015
Town's proportion of the net pension liability (asset)		0.11%
Town's proportionate share of the net pension liability (asset)	$	16,642,712
Town's covered-employee payroll	$	10,101,536
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll		164.75%
Plan fiduciary net position as a percentage of the total pension liability		69.49%

See accompanying notes to this schedule.

TOWN OF ORO VALLEY, ARIZONA
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM - POLICE
YEAR ENDED JUNE 30, 2015

		2015
Total pension liability		
Service cost	$	1,157,832
Interest		2,408,825
Changes of benefit terms		444,387
Differences between expected and actual experience		(356,776)
Changes of assumptions		3,014,125
Benefit payments, including refunds		(1,304,993)
Net change in total pension liability		5,363,400
Total pension liability—beginning		30,759,243
Total pension liability—ending	$	36,122,643
Plan fiduciary net position		
Contributions—employer	$	1,211,218
Contributions—employee		698,036
Net investment income		2,774,126
Benefit payments, including refunds		(1,304,993)
Administrative expense		(22,342)
Other		(93,142)
Net change in plan fiduciary net position		3,262,903
Plan fiduciary net position—beginning		19,978,154
Plan fiduciary net position—ending	$	23,241,057
Net pension liability—ending	$	12,881,586
Plan fiduciary net position as a percentage of the total pension liability		64.34%
Covered-employee payroll	$	7,024,456
Net pension liability as a percentage of covered-employee payroll		183.38%

See accompanying notes to this schedule.

TOWN OF ORO VALLEY, ARIZONA
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
CORRECTIONS OFFICER RETIREMENT PLAN - DISPATCHERS
YEAR ENDED JUNE 30, 2015

		2015
Total pension liability		
Service cost	$	53,985
Interest		154,443
Changes of benefit terms		29,545
Differences between expected and actual experience		(48,767)
Changes of assumptions		174,536
Benefit payments, including refunds		(68,874)
Net change in total pension liability		294,868
Total pension liability—beginning		1,974,876
Total pension liability—ending	$	2,269,744
Plan fiduciary net position		
Contributions—employer	$	63,179
Contributions—employee		32,699
Net investment income		146,441
Benefit payments, including refunds		(68,874)
Administrative expense		(1,151)
Other		
Net change in plan fiduciary net position		172,294
Plan fiduciary net position—beginning		1,044,662
Plan fiduciary net position—ending	$	1,216,956
Net pension liability—ending	$	1,052,788
Plan fiduciary net position as a percentage of the total pension liability		53.62%
Covered-employee payroll	$	380,303
Net pension liability as a percentage of covered-employee payroll		276.83%

See accompanying notes to this schedule.

TOWN OF ORO VALLEY, ARIZONA
SCHEDULE OF CONTRIBUTIONS
ALL PENSION PLANS
YEAR ENDED JUNE 30, 2015

		2015
Arizona State Retirement System:		
Actuarially determined contribution	$	1,207,362
Contributions in relation to the actuarially determined contribution		1,207,362
Contribution deficiency (excess)	$	
Town's covered-employee payroll	$	10,934,704
Contributions as a percentage of covered-employee payroll		11.04%
Public Safety Personnel Retirement System - Police:		
Actuarially determined contribution	$	1,354,630
Contributions in relation to the actuarially determined contribution		1,354,630
Contribution deficiency (excess)	$	
Town's covered-employee payroll	$	7,024,456
Contributions as a percentage of covered-employee payroll		19.28%
Corrections Officer Retirement Plan - Dispatchers:		
Actuarially determined contribution	$	64,005
Contributions in relation to the actuarially determined contribution		64,005
Contribution deficiency (excess)	$	
Town's covered-employee payroll	$	380,303
Contributions as a percentage of covered-employee payroll		16.83%

See accompanying notes to this schedule.

TOWN OF ORO VALLEY, ARIZONA
SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFITS
LAST THREE ACTUARIAL VALUATIONS

Actuarial Valuation Date	Actuarial Valuation of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a percentage of Covered Payroll
PSPRS - Police:						
2014	$ 920,139	$ 937,923	$ (17,784)	98.10%	$ 6,446,142	(0.28) %
2013	-	896,558	(896,558)	-	6,048,143	(14.82)
2012	-	870,374	(870,374)	-	5,994,297	(14.52)
CORP - Dispatchers:						
2014	78,501	67,692	10,809	115.97	410,789	2.63
2013	-	66,776	(66,776)	-	405,564	(16.47)
2012	-	62,245	(62,245)	-	451,808	(13.78)

See accompanying notes to this schedule.

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.

NOTE 2 – PENSION PLAN SCHEDULES

Actuarial Assumptions for Valuations Performed. The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated, which is the most recent actuarial valuation. The actuarial assumptions used are disclosed in the notes to the financial statements.

Factors that Affect Trends – ASRS. The actuarial assumptions used in the June 30, 2013, valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2012. The purpose of the experience study was to review actual experience in relation to the actuarial assumptions in effect. The ASRS Board adopted the experience study recommended changes which were applied to the June 30, 2013, actuarial valuation. The study did not include an analysis of the assumed investment rate of return.

Factors that Affect Trends – PSPRS. The total pension liability as of June 30, 2014, reflects changes of benefit terms and actuarial assumptions for a court ruling for funding permanent benefit increases and a decrease in the wage growth assumption.

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, 2015

	Special Revenue	Debt Service	Capital Projects
ASSETS			
Cash and cash equivalents	$ 6,085,659	$ 168,745	$ 5,784,098
Accounts receivable	190,555		
Intergovernmental receivable	273,882		328,754
Special assessments		925,000	
Inventories	149,348		
Total assets	$ 6,699,444	$ 1,093,745	$ 6,112,852
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 983,775	$	$ 1,518,234
Accrued wages and benefits	100,248		
Unearned revenue	216,671		
Other accrued liabilities	353,433		
Total liabilities	1,654,127		1,518,234
Deferred inflows of resources:			
Unavailable revenues - special assessments		925,000	
Fund balances:			
Nonspendable	149,348		
Restricted	264,386	168,745	3,166,835
Committed	4,631,583		6,190
Assigned			1,421,593
Total fund balances	5,045,317	168,745	4,594,618
Total liabilities, deferred inflows of resources and fund balances	$ 6,699,444	$ 1,093,745	$ 6,112,852

Total Non-Major Governmental Fund
$ 12,038,502
190,555
602,636
925,000
149,348
$ 13,906,041

$ 2,502,009
100,248
216,671
353,433
3,172,361

925,000

149,348
3,599,966
4,637,773
1,421,593
9,808,680

$ 13,906,041

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, 2015

	Special Revenue	Debt Service	Capital Projects
Revenues:			
Sales taxes	$ 1,495,159	$	$
Development impact fees			439,637
Special assessments		178,078	
Intergovernmental	2,958,980	64,258	2,235,299
Licenses, fees & permits	54,648		
Fines, forfeitures & penalties	219,721		
Charges for services	649,976		
Investment earnings	44,459	62	2,905
Other	17,635	100,908	23,075
Total revenues	5,440,578	343,306	2,700,916
Expenditures:			
Current -			
General government	629,085		
Public safety	334,243		
Highway and streets	2,602,321		
Culture and recreation	1,164,098		
Capital outlay	1,997,202		6,096,502
Debt service -			
Principal retirement		609,440	
Interest and fiscal charges		430,957	
Total expenditures	6,726,949	1,040,397	6,096,502
Excess (deficiency) of revenues over expenditures	(1,286,371)	(697,091)	(3,395,586)
Other financing sources (uses):			
Transfers in	1,200,000	331,627	2,610,000
Transfers out	(352,543)		
Total other financing sources (uses):	847,457	331,627	2,610,000
Changes in fund balances	(438,914)	(365,464)	(785,586)
Fund balances, beginning of year	5,484,231	534,209	5,380,204
Fund balances, end of year	$ 5,045,317	$ 168,745	$ 4,594,618

Total Non-Major Governmental Funds
$ 1,495,159
439,637
178,078
5,258,537
54,648
219,721
649,976
47,426
141,618
8,484,800
629,085
334,243
2,602,321
1,164,098
8,093,704
609,440
430,957
13,863,848
(5,379,048)
4,141,627
(352,543)
3,789,084
(1,589,964)
11,398,644
$ 9,808,680

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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.

Highway User Revenue – accounts for the Town's share of motor fuel tax revenues.

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.

Community Center – accounts for the activity of the Oro Valley Community and Recreation Center.

TOWN OF ORO VALLEY, ARIZONA
COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2015

	HURF	State Seizures and Forfeitures	Federal Seizures and Forfeitures
ASSETS			
Cash and cash equivalents	$ 3,794,492	$ 224,020	$ 32,866
Accounts receivable	42,325		
Intergovernmental receivable	273,882		
Inventories			
Total assets	$ 4,110,699	$ 224,020	$ 32,866
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 719,369	$	$ 20,935
Accrued wages and benefits	100,248		
Unearned revenue			
Other accrued liabilities			
Total liabilities	819,617		20,935
Fund balances:			
Nonspendable			
Restricted		224,020	11,931
Committed	3,291,082		
Total fund balances	3,291,082	224,020	11,931
Total liabilities and fund balances	$ 4,110,699	$ 224,020	$ 32,866

Bed Tax	Impound Fee	Community Center	Totals
$ 526,132	$ 28,444	$ 1,479,705	$ 6,085,659
		148,230	190,555
			273,882
		149,348	149,348
$ 526,132	$ 28,444	$ 1,777,283	$ 6,699,444
$ 61,505	$ 9	$ 181,957	$ 983,775
			100,248
		216,671	216,671
		353,433	353,433
61,505	9	752,061	1,654,127
		149,348	149,348
	28,435		264,386
464,627		875,874	4,631,583
464,627	28,435	1,025,222	5,045,317
$ 526,132	$ 28,444	$ 1,777,283	$ 6,699,444

TOWN OF ORO VALLEY, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2015

	HURF	State Seizures and Forfeitures	Federal Seizures and Forfeitures
Revenues:			
Sales taxes	$	$	$
Intergovernmental	2,958,980		
Licenses, fees & permits	54,648		
Fines, forfeitures & penalties		157,697	14,324
Charges for services	129,492		
Investment earnings	34,597	2,316	1,450
Other	12,138	5,497	
Total revenues	3,189,855	165,510	15,774
Expenditures:			
Current -			
General government			
Public safety		154,368	179,875
Highway and streets	2,602,321		
Culture and recreation			
Capital outlay	1,471,613	314,023	173,692
Total expenditures	4,073,934	468,391	353,567
Excess (deficiency) of revenues over expenditures	(884,079)	(302,881)	(337,793)
Other financing sources (uses):			
Transfers in			
Transfers out			
Total other financing sources (uses):			
Changes in fund balances	(884,079)	(302,881)	(337,793)
Fund balances, beginning of year	4,175,161	526,901	349,724
Fund balances, end of year	$ 3,291,082	$ 224,020	$ 11,931

Bed Tax	Impound Fee	Community Center	Totals
$ 988,449	$	$ 506,710	$ 1,495,159
			2,958,980
			54,648
	47,700		219,721
		520,484	649,976
6,096			44,459
			17,635
994,545	47,700	1,027,194	5,440,578
602,474	26,611		629,085
			334,243
			2,602,321
		1,164,098	1,164,098
		37,874	1,997,202
602,474	26,611	1,201,972	6,726,949
392,071	21,089	(174,778)	(1,286,371)
		1,200,000	1,200,000
(352,543)			(352,543)
(352,543)		1,200,000	847,457
39,528	21,089	1,025,222	(438,914)
425,099	7,346		5,484,231
$ 464,627	$ 28,435	$ 1,025,222	$ 5,045,317

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, 2015

	HURF		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Sales taxes	$	$	$
Intergovernmental	2,754,947	2,958,980	204,033
Licenses, fees & permits	52,000	54,648	2,648
Fines, forfeitures & penalties			
Charges for services	129,493	129,492	(1)
Investment earnings	19,250	34,597	15,347
Other	10,000	12,138	2,138
Total revenues	2,965,690	3,189,855	224,165
Expenditures:			
Current -			
General government			
Public safety			
Highway and streets	6,798,419	2,602,321	4,196,098
Culture and recreation			
Capital outlay		1,471,613	(1,471,613)
Total expenditures	6,798,419	4,073,934	2,724,485
Excess (deficiency) of revenues over expenditures	(3,832,729)	(884,079)	2,948,650
Other financing sources (uses):			
Transfers in			
Transfers out			
Total other financing sources (uses):			
Changes in fund balances	(3,832,729)	(884,079)	2,948,650
Fund balances, beginning of year		4,175,161	4,175,161
Fund balances (deficits), end of year	$ (3,832,729)	$ 3,291,082	$ 7,123,811

State Seizures and Forfeitures			Federal Seizures and Forfeitures		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
$	$	$	$	$	$
175,000	157,697	(17,303)	250,000	14,324	(235,676)
	2,316	2,316		1,450	1,450
	5,497	5,497			
175,000	165,510	(9,490)	250,000	15,774	(234,226)
582,353	154,368	427,985	564,398	179,875	384,523
	314,023	(314,023)		173,692	(173,692)
582,353	468,391	113,962	564,398	353,567	210,831
(407,353)	(302,881)	104,472	(314,398)	(337,793)	(23,395)
(407,353)	(302,881)	104,472	(314,398)	(337,793)	(23,395)
	526,901	526,901		349,724	349,724
$ (407,353)	$ 224,020	$ 631,373	$ (314,398)	$ 11,931	$ 326,329

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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, 2015

	Bed Tax		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Sales taxes	$ 944,571	$ 988,449	$ 43,878
Intergovernmental			
Licenses, fees & permits			
Fines, forfeitures & penalties			
Charges for services			
Investment earnings	4,125	6,096	1,971
Other			
Total revenues	948,696	994,545	45,849
Expenditures:			
Current -			
General government	836,029	602,474	233,555
Public safety			
Highway and streets			
Culture and recreation			
Capital outlay			
Total expenditures	836,029	602,474	233,555
Excess (deficiency) of revenues over expenditures	112,667	392,071	279,404
Other financing sources (uses):			
Transfers in			
Transfers out	(352,543)	(352,543)	
Total other financing sources (uses):	(352,543)	(352,543)	
Changes in fund balances	(239,876)	39,528	279,404
Fund balances, beginning of year		425,099	425,099
Fund balances (deficits), end of year	$ (239,876)	$ 464,627	$ 704,503

Impound Fee			Community Center		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
$	$	$	$	$ 506,710	$ 506,710
26,610	47,700	21,090			
				520,484	520,484
26,610	47,700	21,090		1,027,194	1,027,194
26,610	26,611	(1)			
				1,164,098	(1,164,098)
				37,874	(37,874)
26,610	26,611	(1)		1,201,972	(1,201,972)
	21,089	21,089		(174,778)	(174,778)
			1,200,000	1,200,000	
			1,200,000	1,200,000	
	21,089	21,089	1,200,000	1,025,222	(174,778)
	7,346	7,346			
$	$ 28,435	$ 28,435	$ 1,200,000	$ 1,025,222	$ (174,778)

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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, 2015

	Totals		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Sales taxes	$ 944,571	$ 1,495,159	$ 550,588
Intergovernmental	2,754,947	2,958,980	204,033
Licenses, fees & permits	52,000	54,648	2,648
Fines, forfeitures & penalties	451,610	219,721	(231,889)
Charges for services	129,493	649,976	520,483
Investment earnings	23,375	44,459	21,084
Other	10,000	17,635	7,635
Total revenues	4,365,996	5,440,578	1,074,582
Expenditures:			
Current -			
General government	862,639	629,085	233,554
Public safety	1,146,751	334,243	812,508
Highway and streets	6,798,419	2,602,321	4,196,098
Culture and recreation		1,164,098	(1,164,098)
Capital outlay		1,997,202	(1,997,202)
Total expenditures	8,807,809	6,726,949	2,080,860
Excess (deficiency) of revenues over expenditures	(4,441,813)	(1,286,371)	3,155,442
Other financing sources (uses):			
Transfers in	1,200,000	1,200,000	
Transfers out	(352,543)	(352,543)	
Total other financing sources (uses):	847,457	847,457	
Changes in fund balances	(3,594,356)	(438,914)	3,155,442
Fund balances, beginning of year		5,484,231	5,484,231
Fund balances (deficits), end of year	$ (3,594,356)	$ 5,045,317	$ 8,639,673

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, 2015

	Municipal Debt Service	Oracle Road Debt Service	Totals
ASSETS			
Cash and cash equivalents	$ 166,799	$ 1,946	$ 168,745
Special assessments		925,000	925,000
Total assets	$ 166,799	$ 926,946	$ 1,093,745
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Deferred inflows of resources:			
Unavailable revenues - special assessments	$	$ 925,000	$ 925,000
Fund balances:			
Restricted	166,799	1,946	168,745
Total fund balances	166,799	1,946	168,745
Total liabilities, deferred inflows of resources and fund balances	$ 166,799	$ 926,946	$ 1,093,745

TOWN OF ORO VALLEY, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NON-MAJOR DEBT SERVICE FUNDS
YEAR ENDED JUNE 30, 2015

	Municipal Debt Service	Oracle Road Debt Service	Totals
Revenues:			
Special assessments	$	$ 178,078	$ 178,078
Intergovernmental	64,258		64,258
Investment earnings	62		62
Other	100,908		100,908
Total revenues	165,228	178,078	343,306
Expenditures:			
Debt service -			
Principal retirement	479,440	130,000	609,440
Interest and fiscal charges	382,544	48,413	430,957
Total expenditures	861,984	178,413	1,040,397
Excess (deficiency) of revenues over expenditures	(696,756)	(335)	(697,091)
Other financing sources (uses):			
Transfers in	329,627	2,000	331,627
Total other financing sources (uses):	329,627	2,000	331,627
Changes in fund balances	(367,129)	1,665	(365,464)
Fund balances, beginning of year	533,928	281	534,209
Fund balances, end of year	$ 166,799	$ 1,946	$ 168,745

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, 2015

	Municipal Debt Service		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Special assessments	$	$	$
Intergovernmental	67,877	64,258	(3,619)
Investment earnings		62	62
Other	83,000	100,908	17,908
Total revenues	150,877	165,228	14,351
Expenditures:			
Debt service -			
Principal retirement	479,440	479,440	
Interest and fiscal charges	523,200	382,544	140,656
Total expenditures	1,002,640	861,984	140,656
Excess (deficiency) of revenues over expenditures	(851,763)	(696,756)	155,007
Other financing sources (uses):			
Transfers in	329,627	329,627	
Total other financing sources (uses):	329,627	329,627	
Changes in fund balances	(522,136)	(367,129)	155,007
Fund balances, beginning of year		533,928	533,928
Fund balances (deficits), end of year	$ (522,136)	$ 166,799	$ 688,935

Oracle Road Debt Service			Totals		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
$ 175,918	$ 178,078	$ 2,160	$ 175,918	$ 178,078	$ 2,160
			67,877	64,258	(3,619)
				62	62
			83,000	100,908	17,908
175,918	178,078	2,160	326,795	343,306	16,511
178,054	130,000	48,054	657,494	609,440	48,054
	48,413	(48,413)	523,200	430,957	92,243
178,054	178,413	(359)	1,180,694	1,040,397	140,297
(2,136)	(335)	1,801	(853,899)	(697,091)	156,808
2,000	2,000		331,627	331,627	
2,000	2,000		331,627	331,627	
(136)	1,665	1,801	(522,272)	(365,464)	156,808
	281	281		534,209	534,209
$ (136)	$ 1,946	$ 2,082	$ (522,272)	$ 168,745	$ 691,017

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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 improvements to Town parks.

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, 2015

	Townwide Roadway Development Impact Fees	General Impact Fees	Townwide Facilities Projects
ASSETS			
Cash and cash equivalents	$ 2,796,083	$ 488,983	$ 6,190
Intergovernmental receivable	328,754		
Total assets	$ 3,124,837	$ 488,983	$ 6,190
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 446,985	$	$
Total liabilities	446,985		
Fund balances:			
Restricted	2,677,852	488,983	
Committed			6,190
Assigned			
Total fund balances	2,677,852	488,983	6,190
Total liabilities and fund balances	$ 3,124,837	$ 488,983	$ 6,190

General Government CIP	Totals
$ 2,492,842	$ 5,784,098
	328,754
$ 2,492,842	$ 6,112,852

$ 1,071,249	$ 1,518,234
1,071,249	1,518,234

	3,166,835
	6,190
1,421,593	1,421,593
1,421,593	4,594,618
$ 2,492,842	$ 6,112,852

TOWN OF ORO VALLEY, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NON-MAJOR CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2015

	Townwide Roadway Development Impact Fees	General Impact Fees	Townwide Facilities Projects
Revenues:			
Development impact fees	$ 276,745	$ 162,892	$
Intergovernmental	2,235,299		
Investment earnings	2,606	299	
Other	23,075		
Total revenues	2,537,725	163,191	
Expenditures:			
Current -			
Capital outlay	2,651,039	20,000	737,056
Total expenditures	2,651,039	20,000	737,056
Excess (deficiency) of revenues over expenditures	(113,314)	143,191	(737,056)
Other financing sources (uses):			
Transfers in			
Total other financing sources (uses):			
Changes in fund balances	(113,314)	143,191	(737,056)
Fund balances, beginning of year	2,791,166	345,792	743,246
Fund balances, end of year	$ 2,677,852	$ 488,983	$ 6,190

General Government CIP	Totals
$	$ 439,637
	2,235,299
	2,905
	23,075
	2,700,916
2,688,407	6,096,502
2,688,407	6,096,502
(2,688,407)	(3,395,586)
2,610,000	2,610,000
2,610,000	2,610,000
(78,407)	(785,586)
1,500,000	5,380,204
$ 1,421,593	$ 4,594,618

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, 2015

	Townwide Roadway Development Impact Fees		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Development impact fees	$ 900,666	$ 276,745	$ (623,921)
Intergovernmental	4,060,000	2,235,299	(1,824,701)
Investment earnings	3,000	2,606	(394)
Other	22,500	23,075	575
Total revenues	4,986,166	2,537,725	(2,448,441)
Expenditures:			
Current -			
Capital outlay	7,037,558	2,651,039	4,386,519
Total expenditures	7,037,558	2,651,039	4,386,519
Excess (deficiency) of revenues over expenditures	(2,051,392)	(113,314)	1,938,078
Other financing sources (uses):			
Transfers in			
Total other financing sources (uses):			
Changes in fund balances	(2,051,392)	(113,314)	1,938,078
Fund balances, beginning of year		2,791,166	2,791,166
Fund balances (deficits), end of year	$ (2,051,392)	$ 2,677,852	$ 4,729,244

General Impact Fees			Townwide Facilities Projects		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
$ 441,768	$ 162,892	$ (278,876)	$	$	$
	299	299			
441,768	163,191	(278,577)			
426,154	20,000	406,154	615,011	737,056	(122,045)
426,154	20,000	406,154	615,011	737,056	(122,045)
15,614	143,191	127,577	(615,011)	(737,056)	(122,045)
15,614	143,191	127,577	(615,011)	(737,056)	(122,045)
	345,792	345,792		743,246	743,246
$ 15,614	$ 488,983	$ 473,369	$ (615,011)	$ 6,190	$ 621,201

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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, 2015

	General Government CIP		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Development impact fees	$	$	$
Intergovernmental			
Investment earnings			
Other			
Total revenues			
Expenditures:			
Current -			
Capital outlay	4,040,000	2,688,407	1,351,593
Total expenditures	4,040,000	2,688,407	1,351,593
Excess (deficiency) of revenues over expenditures	(4,040,000)	(2,688,407)	1,351,593
Other financing sources (uses):			
Transfers in		2,610,000	2,610,000
Total other financing sources (uses):		2,610,000	2,610,000
Changes in fund balances	(4,040,000)	(78,407)	3,961,593
Fund balances, beginning of year		1,500,000	1,500,000
Fund balances (deficits), end of year	$ (4,040,000)	$ 1,421,593	$ 5,461,593

Totals		
Budget	Actual	Variance - Positive (Negative)
$ 1,342,434	$ 439,637	$ (902,797)
4,060,000	2,235,299	(1,824,701)
3,000	2,905	(95)
22,500	23,075	575
5,427,934	2,700,916	(2,727,018)
12,118,723	6,096,502	6,022,221
12,118,723	6,096,502	6,022,221
(6,690,789)	(3,395,586)	3,295,203
	2,610,000	2,610,000
	2,610,000	2,610,000
(6,690,789)	(785,586)	5,905,203
	5,380,204	5,380,204
$ (6,690,789)	$ 4,594,618	$ 11,285,407

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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, 2015

	Fleet Maintenance	Self Insurance	Totals
ASSETS			
Current assets:			
Cash and cash equivalents	$ 298,922	$ 432,967	$ 731,889
Total current assets	298,922	432,967	731,889
Total assets	298,922	432,967	731,889
DEFERRED OUTFLOWS OF RESOURCES			
Pension plan items	11,006		11,006
LIABILITIES			
Current liabilities:			
Accounts payable	41,220	26,104	67,324
Claims payable		162,701	162,701
Total current liabilities	41,220	188,805	230,025
Noncurrent liabilities:			
Non-current portion of long-term obligations	89,213		89,213
Total noncurrent liabilities	89,213		89,213
Total liabilities	130,433	188,805	319,238
DEFERRED INFLOWS OF RESOURCES			
Pension plan items	18,471		18,471
NET POSITION			
Unrestricted	161,024	244,162	405,186
Total net position	$ 161,024	$ 244,162	$ 405,186

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, 2015

	Fleet Maintenance	Self Insurance	Totals
Operating revenues:			
Charges for services	$ 1,409,174	$	$ 1,409,174
Other	46,936		46,936
Self insurance premiums		2,486,095	2,486,095
Total operating revenues	1,456,110	2,486,095	3,942,205
Operating expenses:			
Costs of sales and services	1,281,507	43,733	1,325,240
Claims payments		2,168,380	2,168,380
Administrative fees		57,000	57,000
Reinsurance premiums		557,329	557,329
Total operating expenses	1,281,507	2,826,442	4,107,949
Operating income (loss)	174,603	(340,347)	(165,744)
Changes in net position	174,603	(340,347)	(165,744)
Total net position, beginning of year, as restated	(13,579)	584,509	570,930
Total net position, end of year	$ 161,024	$ 244,162	$ 405,186

TOWN OF ORO VALLEY, ARIZONA
COMBINING STATEMENT OF CASH FLOWS
ALL INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Fleet Maintenance	Self Insurance	Total
Increase (Decrease) in Cash and Cash Equivalents			
Cash flows from operating activities:			
Cash received from customers	$ 1,456,110		$ 1,456,110
Cash received from premiums		2,486,095	2,486,095
Cash payments to suppliers for goods and services	(1,258,500)	(578,690)	(1,837,190)
Cash payments to employees for services	(81,242)		(81,242)
Cash payments for claims		(2,168,380)	(2,168,380)
Net cash provided by (used for) operating activities	116,368	(260,975)	(144,607)
Net increase (decrease) in cash and cash equivalents	116,368	(260,975)	(144,607)
Cash and cash equivalents, beginning of year	182,554	693,942	876,496
Cash and cash equivalents, end of year	$ 298,922	$ 432,967	$ 731,889
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities			
Operating income (loss)	$ 174,603	$ (340,347)	$ (165,744)
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:			
Change in assets and liabilities:			
Accounts payable	(56,386)	12,226	(44,160)
Claims payable		67,146	67,146
Pension items	(1,849)		(1,849)
Total adjustments	(58,235)	79,372	21,137
Net cash provided by (used for) operating activities	$ 116,368	$ (260,975)	$ (144,607)

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									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities										
Net investment in capital assets	$ 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	$ 133,800,218
Restricted	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	3,599,966
Unrestricted	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	(9,493,907)
Total governmental activities net position	$ 131,395,965	$ 138,542,687	$ 155,948,736	$ 154,188,886	$ 153,271,760	$ 152,592,821	$ 157,599,848	$ 157,143,518	$ 156,700,105	$ 127,906,277
Business-type activities										
Net investment in capital assets	$ 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	$ 54,858,448
Restricted	2,331,001									
Unrestricted	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	20,092,694
Total business-type activities net position	$ 32,530,328	$ 38,786,790	$ 45,925,971	$ 52,606,734	$ 55,788,142	$ 60,376,793	$ 64,737,268	$ 68,303,943	$ 74,316,763	$ 74,951,142
Primary government										
Net investment in capital assets	$ 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	$ 188,658,666
Restricted	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	3,599,966
Unrestricted	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	10,598,787
Total primary government net position	$ 163,926,293	$ 177,329,477	$ 201,874,707	$ 206,795,620	$ 209,059,902	$ 212,969,614	$ 222,337,116	$ 225,447,461	$ 231,016,868	$ 202,857,419

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									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses										
Governmental activities:										
General government	$ 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	$ 11,533,702
Public Safety	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	16,587,168
Highways and streets	5,732,026	7,757,276	7,292,972	9,481,040	9,353,689	8,895,987	9,339,062	9,255,004	8,754,110	9,400,140
Transit									1,275,093	1,404,646
Culture and recreation	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	4,572,490
Interest on long-term debt	805,123	996,336	987,074	954,645	1,767,155	430,570	654,262	522,917	656,260	439,027
Total governmental activities/expenses	27,869,764	32,010,842	35,353,035	39,198,859	38,329,439	35,098,562	35,532,543	35,192,909	38,890,007	43,937,173
Business-type activities:										
Water	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	13,608,931
Stormwater drainage	111,695	74,235	177,673	494,166	486,994	586,006	636,966	983,975	749,038	854,510
Total business-type activities expenses	10,550,564	11,521,193	12,853,948	13,989,290	13,317,131	13,113,857	12,621,795	14,031,348	14,321,715	14,463,441
Total primary government expenses	$ 38,420,328	$ 43,532,035	$ 48,206,983	$ 53,188,149	$ 51,646,570	$ 48,212,419	$ 48,154,338	$ 49,224,257	$ 53,211,722	$ 58,400,614
Program Revenues										
Governmental activities:										
Fees, Fines and Charges for Services:										
General government	$ 4,013,368	$ 3,291,983	$ 3,830,060	$ 2,835,884	$ 2,261,815	$ 2,455,182	$ 3,079,526	$ 3,740,046	$ 3,978,117	$ 3,516,359
Public Safety		229,546	69,256	83,279	28,785	33,976	33,109	45,346	35,976	29,097
Highways and streets	183,842	122,124	211,088	119,847	137,436	400,977	329,420	1,052,581	546,066	496,098
Transit									71,078	72,783
Culture and recreation		121,358	73,149	110,857	119,273	126,290	82,832	169,965	435,354	1,108,734
Operating grants and contributions	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	5,070,396
Capital grants and contributions	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	2,456,727
Total governmental activities program revenues	12,750,714	16,980,571	20,067,385	10,324,105	13,789,961	16,883,947	15,879,794	13,246,370	12,693,076	12,750,194
Business-type activities:										
Charges for services:										
Water	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	16,088,681
Stormwater Utility	21,401	125	357,602	746,655	927,238	888,391	752,212	813,400	759,428	771,594
Capital grants and contributions	628,501	3,066,170	3,567,083	3,697,229	362,273	1,655,307	245,607	48,871	179,675	1,979,037
Total business-type activities program revenues	14,688,293	16,683,631	20,728,635	20,541,970	16,426,295	17,662,763	16,815,164	17,594,871	20,225,897	18,839,312
Total primary government program revenues	$ 27,439,007	$ 33,664,202	$ 40,796,020	$ 30,866,075	$ 30,216,256	$ 34,546,710	$ 32,694,958	$ 30,841,241	$ 32,918,973	$ 31,589,506

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Net (Expense)/Revenues										
Governmental activities	$ (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)	$ (31,186,979)
Business-type activities	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	4,375,871
Total primary government net expenses	$ (10,981,321)	$ (9,867,833)	$ (7,410,963)	$ (22,322,074)	$ (21,430,314)	$ (13,665,709)	$ (15,459,380)	$ (18,383,016)	$ (20,292,749)	$ (26,811,108)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Sales taxes	$ 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	$ 16,132,159
Franchise taxes	435,428	478,175	516,652	506,685	509,285	514,814	525,427	539,477	571,731	582,064
Impact fees*	1,098,977	1,038,217	910,741	441,020	584,113					
Unrestricted state revenue sharing	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	10,413,464
Unrestricted state sales tax revenue sharing	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	1,541,560	1,726,149	1,738,875	1,655,875	1,484,125	1,318,989	1,479,094			
Special assessments										
Investment earnings (loss)	991,151	1,471,641	1,590,654	113,995	95,625	39,124	189,606	265,787	255,702	216,175
Special item - Capital asset conveyance								(2,606,804)		
Transfers	(79,778)	69,813	1,600,000					2,319	3,178	3,119
Total governmental activities	23,218,425	29,875,794	32,691,699	27,114,904	23,622,352	20,535,676	21,659,776	21,490,209	25,753,518	27,346,981
Business-type activities:										
Investment earnings (loss)	956,189	1,163,837	864,494	128,083	72,244	39,745	167,106	5,471	111,816	124,887
Transfers	79,778	(69,813)	(1,600,000)					(2,319)	(3,178)	(3,119)
Total business-type activities	1,035,967	1,094,024	(735,506)	128,083	72,244	39,745	167,106	3,152	108,638	121,768
Total primary government	$ 24,254,392	$ 30,969,818	$ 31,956,193	$ 27,242,987	$ 23,694,596	$ 20,575,421	$ 21,826,882	$ 21,493,361	$ 25,862,156	$ 27,468,749
Change in Net Position										
Governmental activities	$ 8,099,375	$ 14,845,523	$ 17,406,049	$ (1,759,850)	$ (917,126)	$ 2,321,061	$ 2,007,027	$ (456,330)	$ (443,413)	$ (3,839,998)
Business-type activities	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	4,497,639
Total primary government	$ 13,273,071	$ 21,101,985	$ 24,545,230	$ 4,920,913	$ 2,264,282	$ 6,909,712	$ 6,367,502	$ 3,110,345	$ 5,569,407	$ 657,641

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									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Fund										
Nonspendable	$	$	$	$	$	$	$	$	$	$ 31,278
Restricted										
Committed										
Assigned						1,769,333	1,608,035	1,608,035	1,608,035	1,553,999
Unassigned						9,237,805	9,793,614	11,529,070	9,925,988	8,566,598
Reserved	7,267									
Unreserved	14,356,224	18,477,706	16,666,388	15,940,438	11,904,429					
Total general fund	$ 14,363,491	$ 18,477,706	$ 16,666,388	$ 15,940,438	$ 11,904,429	$ 11,007,138	$ 11,401,649	$ 13,137,105	$ 11,534,023	$ 10,151,875
All Other Governmental Funds										
Nonspendable	$	$	$	$	$	$	$	$	$	$ 149,348
Restricted						9,128,505	11,454,390	3,730,312	4,555,138	3,599,966
Committed						840,704	622,919	4,166,818	5,343,506	4,637,773
Assigned									1,500,000	1,421,593
Unassigned										
Reserved	80,624									
Unreserved, reported in:										
Special revenue funds	4,439,573	4,891,095	5,534,192	5,887,082	5,868,523					
Capital projects funds	4,985,836	4,520,718	15,396,024	9,071,398	3,933,044					
Debt service funds	280,055	245,208	263,478	158,816	1,929,635					
Total all other governmental funds	$ 9,786,088	$ 9,657,021	$ 21,193,694	$ 15,117,296	$ 11,731,202	$ 9,969,209	$ 12,077,309	$ 7,897,130	$ 11,398,644	$ 9,808,680

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									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues										
Taxes	$ 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	$ 16,714,223
Intergovernmental	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	17,714,991
Fines and forfeitures	462,246	429,458	391,921	413,720	612,031	560,941	895,820	551,962	673,336	221,571
Licenses and permits	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	1,605,937
Charges for services	942,676	1,026,921	1,040,694	1,066,376	965,455	926,135	1,209,814	1,630,238	1,850,181	2,991,826
Contributions and donations	97,327	19,171	249,999	1,000	59	15,000	995	27,229		
Special assessments		189,820	193,023	367,539	368,152	365,811	366,028	365,935	1,462,307	178,078
Impact fees	1,098,977	1,038,217	910,741	441,020	584,113	481,619	417,742	988,342	569,338	439,637
Investment earnings	991,151	1,471,641	1,590,654	113,995	95,625	39,124	189,606	265,787	255,702	216,175
Other revenues	325,428	135,261	555,790	233,123	216,030	297,109	460,512	349,326	305,489	141,618
Total revenues	$ 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	$ 40,224,056
Expenditures										
General government	$ 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	$ 10,862,553
Public safety	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	15,071,396
Highways and streets	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	2,602,321
Transit										1,404,646
Culture and recreation	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	4,078,817
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	8,093,704
Debt Service										
Principal retirement	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	649,840
Interest and fiscal charges	731,358	921,205	907,658	1,034,061	831,580	470,578	554,274	498,729	472,268	436,010
Payment to bond escrow agent					6,279,112					
Bond Issuance costs	107,897	28,868			26,550		75,800			
Total expenditures	$ 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	$ 43,199,287
Excess of revenues over (under) expenditures	$ (6,840,313)	$ 4,069,742	$ 125,355	$ (6,802,348)	$ (7,395,553)	$ (5,169,407)	$ (115,424)	$ (2,147,042)	$ 1,682,359	$ (2,975,231)

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Other Financing Sources (Uses)										
Premium on bonds issued	$	$ 25,719	$	$	$	$	$ 113,835	$	$	$
Proceeds from certificates of participation										
Proceeds from capital lease agreements									212,895	
Proceeds from loan										
Issuance of long-term loan payable			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	1,248,569	2,927,754	8,447,951	1,950,898	10,012,679	860,143	1,003,666	1,704,272	4,115,152	4,326,627
Transfers out	(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)	(4,323,508)
Total other financing sources (uses)	$ 4,084,272	$ (55,726)	$ 9,600,000	$	$	$ 2,510,123	$ 2,693,835	$ (297,681)	$ 216,073	$ 3,119
Net change in fund balances	$ (2,756,041)	$ 4,014,016	$ 9,725,355	$ (6,802,348)	$ (7,395,553)	$ (2,659,284)	$ 2,578,411	$ (2,444,723)	$ 1,898,432	$ (2,972,112)
Debt service as a percentage of noncapital expenditures	13.02%	7.17%	12.51%	5.88%	10.60%	12.36%	11.55%	3.76%	7.30%	3.09%

Source: Town of Oro Valley Finance Department

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

	2015			2006		
Employer	Employees	Rank	Percentage of Total Town Employment	Employees	Rank	Percentage of Total Town Employment
Ventana Medical Systems	1,200	1	7.03%	566	2	3.22%
Oro Valley Hospital	672	2	3.94%			0.00%
Town of Oro Valley	478	3	2.80%	333	5	1.89%
Amphitheater Public Schools	449	4	2.63%	646	1	3.67%
Hilton El Conquistador Golf & Tennis Resort	337	5	1.97%	440	4	2.50%
Fry's Food & Drug Store	272	6	1.59%	270	6	1.54%
Walmart Supercenter	226	7	1.32%			
Splendido at Rancho Vistoso	185	8	1.08%			0.00%
Securaplane	174	9	1.02%			
Home Depot	143	10		160	8	
Northwest Medical Center				450	3	
Hilton El Conquistador Country Club				260	7	1.48%
Northwest Medical Center urgent care				150	9	
Stone Canyon Golf/Golf Club at Vistoso				130	10	
Total	4,136		23.40%	3,405		14.30%

Source: U.S. Bureau of Labor Statistics

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

		Fiscal Year 2015			Fiscal Year 2006		
Taxpayer	Business Type	Sales Tax Payments	Rank	Percentage of Total Sales Tax Payments	Sales Tax Payments	Rank	Percentage of Total Sales Tax Payments
Taxpayer A	Utility	$ 1,813,674	1	11.24%			
Taxpayer B	Retail Trade	879,702	3	5.45%			
Taxpayer C	Retail Trade	677,765	4	4.20%	$ 634,586	3	5.04%
Taxpayer D	Utility	463,623	5	2.87%			
Taxpayer E	Construction	313,305	9	1.94%			
Taxpayer F	Utility	456,911	6	2.83%			
Taxpayer G	Retail Trade	419,305	7	2.60%	573,810	4	4.56%
Taxpayer H	Retail Trade	361,373	8	2.24%	244,548	8	
Taxpayer I	Accomodation	1,117,925	2	6.93%	1,441,236	1	11.45%
Taxpayer J	Retail Trade	310,394	10				0.00%
Taxpayer K	Construction				714,012	2	5.67%
Taxpayer L	Construction				317,740	5	2.52%
Taxpayer M	Construction				266,459	6	2.12%
Taxpayer N	Retail Trade				264,900	7	2.11%
Taxpayer O	Construction				211,851	9	1.68%
Taxpayer P	Construction				193,782	10	1.54%
Total		$ 6,813,977		40.32%	$ 4,862,924		36.70%

Source: Arizona Department of Revenue

TOWN OF ORO VALLEY, ARIZONA
TAXABLE SALES BY CATEGORY
LAST TEN FISCAL YEARS
(UNAUDITED)
($000's)

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Construction	$ 5,602	$ 6,895	$ 7,038	$ 5,143	$ 2,110	$ 1,707	$ 1,738	$ 2,842	$ 3,338	$ 3,199
Manufacturing	165	181	280	230	230	266	258	258	257	141
Transportation, Warehousing, Communications & Utilities	91	226	1,279	1,632	1,554	1,534	2,450	2,785	2,959	3,068
Wholesale Trade	56	58	69	54	75	93	106	110	103	125
Retail Trade	3,229	3,665	4,017	4,264	4,544	4,720	4,925	5,153	5,243	5,808
Restaurants, Bars & Lodging	2,392	2,720	2,775	2,333	2,283	2,314	2,314	2,164	2,761	2,803
Finance, Insurance & Real Estate	155	859	496	324	381	324	333	335	75	270
Services	262	313	312	322	378	417	456	456	529	599
All Other	197	167	337	896	627	102	103	75	60	115
Cable Franchise	435	478	517	507	509	515	525	540	572	582
Total	$ 12,584	$ 15,562	$ 17,120	$ 15,705	$ 12,691	$ 11,992	$ 13,208	$ 14,718	$ 15,897	$ 16,710
Town sales tax rate*	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.50%

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
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%
2015*	2.50%	6.00%	4.00%	4.00%	6.10%

*.5% Additional sales tax effective March 1, 2015
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 Assesed Valuation	Estimated Full Cash Value	Total Outstanding General Obligation Bond Debt
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
2015	572,696,599	593,299,222	5,616,655,680	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, 2015
(UNAUDITED)

	Acutal								Projected	
Revenue Source	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	Fiscal Year 2017
Town Sales and Franchise Taxes	$ 17,685,650	$ 15,883,093	$ 13,480,150	$ 12,086,962	$ 13,325,106	$ 14,780,543	$ 15,857,732	$ 16,714,223	$ 18,295,654	$ 18,844,524
Licenses and Permits	2,792,684	1,507,930	1,108,411	1,059,309	1,185,862	1,813,947	2,116,700	1,605,937	1,815,000	1,869,450
Fines	249,762	285,628	202,144	195,933	200,672	180,875	172,232	148,050	120,000	123,600
State-Shared Sales Tax	3,621,016	3,134,789	2,891,386	3,024,857	3,204,612	3,356,826	3,569,711	3,747,944	3,917,908	4,035,445
State-Shared Income Tax	5,544,763	5,886,132	5,086,954	3,834,911	3,461,359	4,189,186	4,571,196	4,964,635	4,937,719	5,085,851
Total	**$ 29,893,875**	**$ 26,697,572**	**$ 22,769,045**	**$ 20,201,972**	**$ 21,377,611**	**$ 24,321,377**	**$ 26,287,571**	**$ 27,180,789**	**$ 29,086,281**	**$ 29,958,870**

(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)

	Governmental Activities						Business-Type Activities					
Fiscal Year	**Capital Leases**	**Note Payable**	**Certificates of Participation**	**Loan Payable**	**Excise Tax Bonds**	**Special Assessment Bonds**	**Revenue Bonds**	**Capital Leases**	**Loan Payable**	**Total Primary Government**	**Percentage of Personal Income**	**Per Capita**
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
2015	128,594	1,000,000			8,215,673	925,000	37,683,805	118,862	8,169,765	56,241,699	3.25%	1,331

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, 2015
(UNAUDITED)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Pima County	$ 1,501,691	7.40%	$ 111,125
Pima County Community College District	-	7.40%	-
Amphitheater Unified School District No. 10	97,530,000	18.32%	17,867,496
Total Overlapping			17,978,621
Town of Oro Valley	9,140,673	100.00%	9,140,673
Total Direct			9,140,673
Total direct and overlapping debt			$ 27,119,294

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 2014-15.

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt Limit	$ 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	$ 145,824,512
Total net debt applicable to limit										
Legal debt margin	$ 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	$ 145,824,512
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Source: Town of Oro Valley Finance Department

TOWN OF ORO VALLEY
CALCULATION OF LEGAL DEBT MARGIN
JUNE 30, 2015
(UNAUDITED)

Net secondary assessed valuation		$ 560,863,509
Water, Sewer, Light, Parks, Open Space and Recreational Facility Bonds		
Debt limit - 20% of secondary net assessed valuation		$ 112,172,702
Debt applicable to limit		
General obligation bonds outstanding	$	
Less amount set aside for repayment of debt		
Net debt applicable to limit		
20% legal debt margin		$ 112,172,702
All other general obligation bonds		
Debt Limit - 6% of secondary net assessed valuation		$ 33,651,811
Debt applicable to limit		
General obligation bonds outstanding	$	
Less amount set aside for repayment of debt		
Net debt applicable to limit		
All other general obligation bonds debt margin		$ 33,651,811
Total legal debt margin		$ 145,824,512

Source: Pima County Assessor's Office

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

Water Utility Revenue Bonds

Fiscal Year	Gross Revenues	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
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
2015	16,213,273	2,995,560	1,372,024	4,367,584	3.71

Governmental Revenue Bonds

Fiscal Year	Gross Revenues	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
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
2015	31,739,256	479,440	367,991	847,431	37.45

Certificates of Participation

Fiscal Year	Gross Revenues	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
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
2015	31,739,256				0.00

Special Assessment

Fiscal Year	Gross Revenues	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
2006	$	$	$ 176,967	$ 176,967	0.00
2007	379,840	185,000	186,828	371,828	1.02
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
2015	178,078	130,000	45,917	175,917	1.01

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, 2015
(UNAUDITED)

	Historical 2007/08	Historical 2008/09	Historical 2009/10	Historical 2010/11	Historical 2011/12	Historical 2012/13	Historical 2013/14	Actual 2014/15
Revenues:								
Water revenues	$ 11,686,598	$ 11,424,787	$ 12,071,031	$ 12,038,482	$ 11,578,981	$ 11,585,181	$ 12,169,375	$ 11,280,269
Water connection fees	1,925,656	1,588,084	293,607	244,376	462,762	706,159	1,413,047	591,045
Alternative water connection fees	512,543	812,740	475,973	400,988	759,958	1,253,055	2,376,682	1,172,170
Groundwater preservation fees	1,092,778	1,632,549	1,769,142	2,096,093	2,315,277	2,527,524	2,599,718	2,330,231
Other revenues	1,586,375	639,926	527,031	541,299	557,222	660,681	727,972	714,965
Interest income	864,262	125,458	70,329	38,445	166,654	-	110,615	124,593
Total revenues	**17,668,212**	**16,223,544**	**15,207,113**	**15,359,683**	**15,840,854**	**16,732,600**	**19,397,409**	**16,213,273**
Expenses:								
Personnel	2,324,921	2,447,642	2,514,595	2,418,118	2,497,865	2,537,150	2,659,895	2,767,143
Operations & maintenance	5,836,698	5,415,423	4,505,751	3,721,167	3,559,807	4,564,894	4,303,230	4,530,436
CAP water costs	602,682	185,490	154,575	903,855	636,519	1,093,105	1,499,594	1,570,793
Total expenses	**8,764,301**	**8,048,555**	**7,174,921**	**7,043,140**	**6,694,191**	**8,195,149**	**8,462,719**	**8,868,372**
Net water system revenues	8,903,911	8,174,989	8,032,192	8,316,544	9,146,662	8,537,452	10,934,690	7,344,901
Water supported debt service:								
2007 WIFA Loan		308,406	369,627	316,983	316,875	316,763	311,494	311,377
2009 WIFA Loan				161,554	182,268	186,817	150,471	149,367
2014 WIFA Loan								296,972
2003 Revenue Bonds	2,542,673	2,544,423	2,544,973	2,545,935	2,545,435	980,000		
2003 Refunding Revenue Bonds	648,512	648,674	647,374	1,152,546	1,238,996	1,243,058		
2005 Excise Tax Bonds	152,817	151,946	152,672	151,744	152,099	151,245	152,565	152,516
2007 Excise Tax Bonds	735,007	1,136,077	1,516,494	791,099	791,203	791,111	790,822	1,255,948
2012 Refunding Bonds						956,975	1,968,281	1,971,082
2013 Refunding Bonds							1,513,427	1,046,558
Total water supported debt service	**$ 4,079,008**	**$ 4,789,526**	**$ 5,231,140**	**$ 5,119,860**	**$ 5,226,876**	**$ 4,625,969**	**4,887,060**	**5,183,820**
Debt service coverage	**2.18**	**1.71**	**1.54**	**1.62**	**1.75**	**1.85**	**2.24**	**1.42**

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
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%
2015	42,259	1,728,773,431	40,909	5.2%

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)

	Full-time Equivalent Employees as of June 30									
Function/Program	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Administration										
Town Clerk	4.56	4.90	4.54	4.44	4.60	4.00	4.60	4.60	4.60	4.50
Town Manager	8.00	7.00	7.00	7.10	7.10	8.10	8.50	8.10	6.00	6.00
Human Resources	3.50	2.00	5.00	5.00	5.00	4.00	4.00	4.00	4.00	3.00
Economic Development	2.00	2.00	3.00	1.00	1.00	1.40	1.40	2.25	2.25	2.00
Finance	7.00	7.00	7.00	7.00	7.00	7.00	9.00	9.00	8.00	7.50
Information Systems	7.00	7.30	6.50	6.50	8.00	8.00	7.00	8.00	5.00	4.00
Legal	6.00	6.00	6.00	8.00	8.00	7.00	10.00	10.25	10.25	10.25
Community Development										
Building Safety	0.00	0.00	0.00	0.00	0.00	13.00	16.00	18.00	17.00	16.00
Community Development Admin.	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4.00
Planning & Zoning	0.00	0.00	0.00	0.00	0.00	13.00	16.00	16.00	14.00	13.50
Development & Infrastructure Services	81.45	78.84	77.22	73.38	73.10	0.00	0.00	0.00	0.00	0.00
Parks and Recreation	36.20	37.61	27.26	20.62	22.70	27.50	27.60	28.10	27.00	20.80
Cultural Resources	0.00	0.00	1.35	1.30	1.30	0.00	0.00	0.00	0.00	0.00
Library	0.00	0.00	0.00	18.55	18.40	18.50	18.70	19.40	19.30	19.43
Police										
Civilians	30.25	25.93	30.25	30.25	29.70	30.70	33.00	34.00	34.00	29.00
Officers	102.88	101.91	101.44	97.96	95.00	97.90	102.40	108.00	105.00	96.00
Magistrate Court	8.00	8.70	8.00	8.00	9.00	9.00	9.00	8.50	8.50	8.50
Public Works	0.00	0.00	0.00	0.00	0.00	47.70	52.90	56.10	53.13	54.00
Water Utility	37.48	37.00	36.00	36.00	34.00	35.00	36.30	35.50	35.50	34.00
Total	334.32	326.19	320.56	325.10	323.90	331.80	356.40	369.80	353.53	332.48

Source: Town of Oro Valley Finance Department

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

Fiscal Year	Residential	Commercial	Irrigation	Irrigation Reclaimed	Construction	Construction Reclaimed	Turf	Turf Reclaimed	Wholesale/ Unmetered	Total
2006	$ 7,227,509	$ 614,474	$ 921,364		$ 368,784		$ 940,753	670,968	1,235	$ 9,709,471
2007	7,187,885	614,404	978,556	1,555	542,879		680,833	1,015,709		$ 10,745,087
2008	7,511,067	667,910	1,146,222	796	652,446	1,630	666,558	1,039,969		11,021,820
2009	7,573,960	749,019	1,093,852	9,007	349,994	3,757	265,413	1,389,783		11,686,598
2010	8,040,762	902,432	1,152,529	14,240	222,447	720	354,308	1,383,592		11,434,785
2011	8,043,658	921,825	1,166,921	13,258	92,257	814	130,704	1,669,045		12,071,030
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
2015	7,649,136	779,877	981,545	214,848	271,815		115,955	1,267,093		11,280,269

Source: Town of Oro Valley Water Utility Department

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

Function/Program	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Police										
Burglaries	97	112	125	125	120	100	134	105	75	77
Citations (traffic)	8,203	8,183	7,497	9,256	6,736	5,244	5,084	5,456	4,668	4,486
Investigations	5,106	6,656	6,892	917	732	746	711	681	765	832
Total Arrests	2,053	2,236	2,254	2,478	2,176	1,932	1,716	1,564	1,679	1,721
Thefts	568	575	577	528	567	656	571	563	561	500
Development & Infrastructure Services										
Street resurfacing (miles)	5.4	7.7	10.5	53.4	14.8	13.9	22.4	30.5	73.4	101.0
Parks and Recreation										
Recreation Programs Held Annually	38	42	46	46	40	47	37	35	30	38
Months of Public Pool Operations	10	10	10	10	12	12	12	10	12	12
Parks Maintenance Man-Hours Worked	13,520	15,600	17,472	16,288	16,120	18,680	16,016	17,000	20,000	16,255
Library										
Collection volume	86,000	90,000	96,000	95,750	100,142	100,652	97,364	0	0	0
Water										
New connections	508	367	346	196	68	61	97	213	165	202
Total connections	17,463	17,830	18,177	18,373	18,441	18,502	18,599	18,812	18,977	19,179
Transit										
Total route miles	165,202	165,202	175,841	163,964	138,752	138,333	200,058	353,936	439,512	392,071
Passengers	14,387	14,858	16,908	17,101	15,573	14,873	20,119	32,442	39,196	39,102

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)

Year	Base Rate monthly	Tier 1 per 1,000	Tier 2 per 1,000	Tier 3 per 1,000	Tier 4 per 1,000	GPF per 1,000
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
2015	14.19	2.27	3.10	4.23	5.76	0.90

Source: Town of Oro Valley Water Utility

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

Function/Program	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Substations	3	2	2	2	3	3	3	3	3	3
Patrol units	105	105	113	109	108	53	67	66	64	74
Other fleet	0	0	0	0	0	55	42	43	42	45
Development & Infrastructure Services										
Streets (miles)	191.3	201.9	220.1	220.1	214.0	203.8	203.8	205.1	221.0	221.0
Streetlights	93	93	93	93	93	93	93	95	95	95
Traffic signals	10	15	16	16	18	16	17	19	19	19
Parks and recreation										
Acreage	300	300	300	300	374	374	436	436	457	448
Playgrounds	2	2	2	2	2	2	2	2	2	2
Baseball/softball diamonds	7	7	7	7	7	7	7	7	7	7
Community centers	0	0	0	0	0	0	0	0	0	1
Golf course holes	0	0	0	0	0	0	0	0	0	45
Tennis courts	1	1	1	1	1	1	1	1	1	32
Swimming pools	1	1	1	1	1	1	2	2	2	4
Water										
Wells	22	22	19	22	18	22	22	22	18	20
Storage capacity (MG)	17	17.5	18	19	19	20	20	20	13	12
Booster capacity	28	28	27	27	26	25	25	25	26	27
Transit										
Transit vans	9	9	9	9	9	5	5	5	9	7
Transit mini buses	0	0	0	0	0	5	10	12	17	19

Source: Town of Oro Valley Finance Department

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