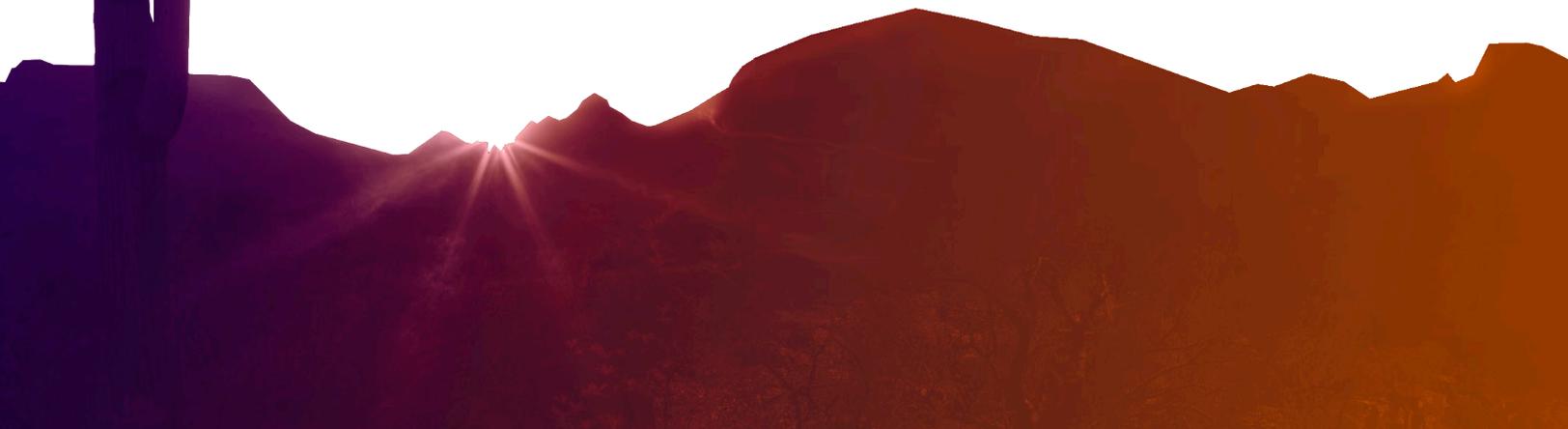
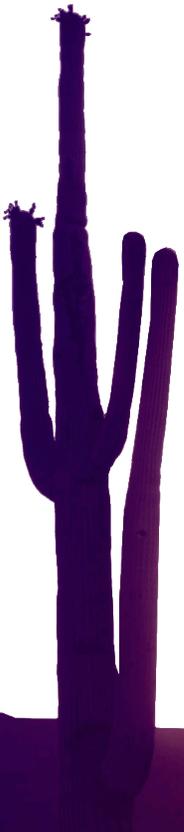




**Town of Oro Valley, Arizona**

# **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**For the Fiscal Year Ended June 30, 2016**



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

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

Prepared by:

Finance Department

Stacey Lemos, CPA  
Finance Director

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

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## **INTRODUCTORY SECTION**

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## Town of Oro Valley

November 18, 2016

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, 2016.

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, 2016, 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, 2016, 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.

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

The independent audit of the financial statements of the Town was part of a broader, federally mandated Single Audit as required by the provisions of the Single Audit Act Amendments of 1996 and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the Town's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in a separately issued Single Audit Reporting Package.

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.

## **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 43,565. The population of Oro Valley has increased 47% 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 Councilmembers. Councilmembers 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 directors 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 2015-16.

- **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.

- Approved a balanced budget for FY 2016-17
- Issued 1,990 permits, including 60 commercial building permits, 367 residential building permits, 46 grading permits, 1,168 miscellaneous building permits, 150 sign permits, 105 pool permits, and 21 model home plans
- Continued use of Arizona Dept. of Corrections (ADC) crews to perform landscape and parks maintenance and minor repairs on small fleet equipment at significant cost savings to the Town
- Completed refunding of Series 2005 Excise Tax Revenue Obligations resulting in overall net interest savings of nearly \$340,000
- Implemented a new payment vendor for the Magistrate Court, which collected an additional \$58,000 in court fines and fees owed
- Received Certificate of Achievement for Financial Reporting Excellence, Distinguished Budget Presentation Award and Popular Annual Financial Reporting Award from Government Finance Officers Association (GFOA)
- Received the Achievement of Excellence in Procurement award for the ninth consecutive year
- Reduced transit cost per mile by improving efficiency by nearly 10% and reduced cost per hour by 9%, from \$45.67 to \$41.46
- Utilized seizure funds to backfill three police positions, provide training, purchase equipment, and provide community program support for the annual 5th grade drug awareness day event
- Received Governor's Office of Highway Safety funding for six DUI breath detection devices, four moving radar devices and \$27,500 reimbursement for DUI enforcement overtime and employee benefit expenses

- **Communication**

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

- Scanned and made all Town Council minutes, ordinances, resolutions, deeds and easements available to the public through the Town's new electronic document management software
- All Town board and commission applications were received, processed and retained electronically, allowing for easier submission by applicants and reduced processing time for staff
- Completed the Your Voice, Our Future General Plan update in preparation for the public vote in November 2016
- Held 15 neighborhood public outreach and awareness meetings for planning amendments, including 2 for major General Plan amendments
- Continued the online budget questionnaire, "5 Questions in 5 Minutes," to solicit public input during preparation of the FY 2016-17 Town Budget, resulting in 254 responses
- Contracted with CodeRED to provide emergency notification services to the community
- Received two 2016 Silver Circle Awards from the City-County Communications and Marketing Association (3CMA) for excellence in communication and marketing for the 2015 Aquatic Center summer marketing campaign and the 2015 BizTucson Report
- Implemented the use of Facebook advertising to boost community awareness and engagement
- Increased frequency of postings and video promotions through social media to communicate Town events and initiatives to the community
- Developed the 2015 BizTucson Oro Valley Special Report to market at local, regional, state, national and international trade shows

- **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.

- Collected approximately \$1.5 million in plan review and permit fees, representing nearly \$118 million in work valuation for new private construction
- Provided wide range of construction assistance for residential and commercial projects, including the Stone Canyon Clubhouse, a 45,000 square foot expansion at Splendido, MOD Pizza, Smashburger, Gaslight Music Hall, a large modular expansion at Ventana Medical Systems, and projects currently under construction, which include Pima Federal Credit Union, Kneader's Restaurant and the Apartments at El Corredor
- Attracted the University of Arizona to expand its OneHealth public health consortium into Oro Valley with a new doctor of veterinary medicine school
- Began development of the "Main Streets" concept of a centralized downtown hub for shopping, dining and entertainment
- Hosted 35 swim competitions, two national tennis and two national golf competitions, and brought two major league soccer teams to practice at Naranja Park
- Received sixth consecutive Playful City USA community designation
- Received the Mayor's Challenge "Educate and Enforce" award for traffic safety from the US department of Transportation
- Continued hosting the coffee with a cop program and expanded the event to include the Mayor, Town Manager and the Golder Ranch Fire District

- Reached 151 active business in the adopt-a-business program
- Added 176 new metered connections for a total water utility customer base of 19,355
- **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.

  - Facilitated the first annual Oro Valley Music Festival featuring local and national musical talent
  - Partnered with the Tucson Children's museum to open a satellite campus in Oro Valley, which had over 33,000 visitors in its first year
  - Partnered with the Southern Arizona Arts and Cultural Alliance to put on 37 public concerts
  - Spearheaded the grassroots community music group, "Oh for the Love of Music"
  - Supported cultural events that attracted thousands of visitors including the Halloween Spooktacular, 4<sup>th</sup> of July event at the Oro Valley Community Center, annual holiday tree lighting and the Harvest Heritage Festival at Steampump Ranch
  - Remodeled the Oro Valley Community Center fitness center with a coffee lounge and art gallery and relaunched the Overlook restaurant with a new name, new menu and new look
  - Increased the number of recreation programs held from 38 to 52 with the addition of the Oro Valley Community Center
  - Installed a new ramada and bathroom facilities at Naranja Park to complement the new multi-use sports fields and dog park
  - Hosted over 1,300 summer camp participants through 67 camp and 99 swim activities
- **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 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
  - Completed the Naranja Road safety project
  - Completed the design and bid specification for the Lambert Lane phase II project
  - Completed the Rancho Vistoso/Highland Drive and sidewalk project
  - Began partnership with the Town of Marana to assist with the Tangerine Road project
  - Began the design for the La Cholla widening project from Overton Road to Tangerine Road
  - Installed LED illuminated street signs at the intersections of La Cañada Drive/ Naranja Drive and First Avenue/Tangerine Road
  - Expanded staff's over-the-counter permit review capability to include pools, building permits off of a model (i.e. plot plans), attached covered porches or pergolas, detached ramadas, site walls, sheds, and other small projects
  - Acquired property for a new police substation and much-needed evidence facility
  - Delivered record transit service ridership of 45,202, a 16% increase over the prior fiscal year
  - Citizen volunteer assistants program members contributed 14,933 volunteer hours
  - Acquired 756 acre feet of groundwater extinguishment credits
  - Recharged 10,305 acre feet of Central Arizona Project (CAP) water
  - Water Utility completed the advanced metering infrastructure project

## ECONOMIC CONDITIONS AND OUTLOOK

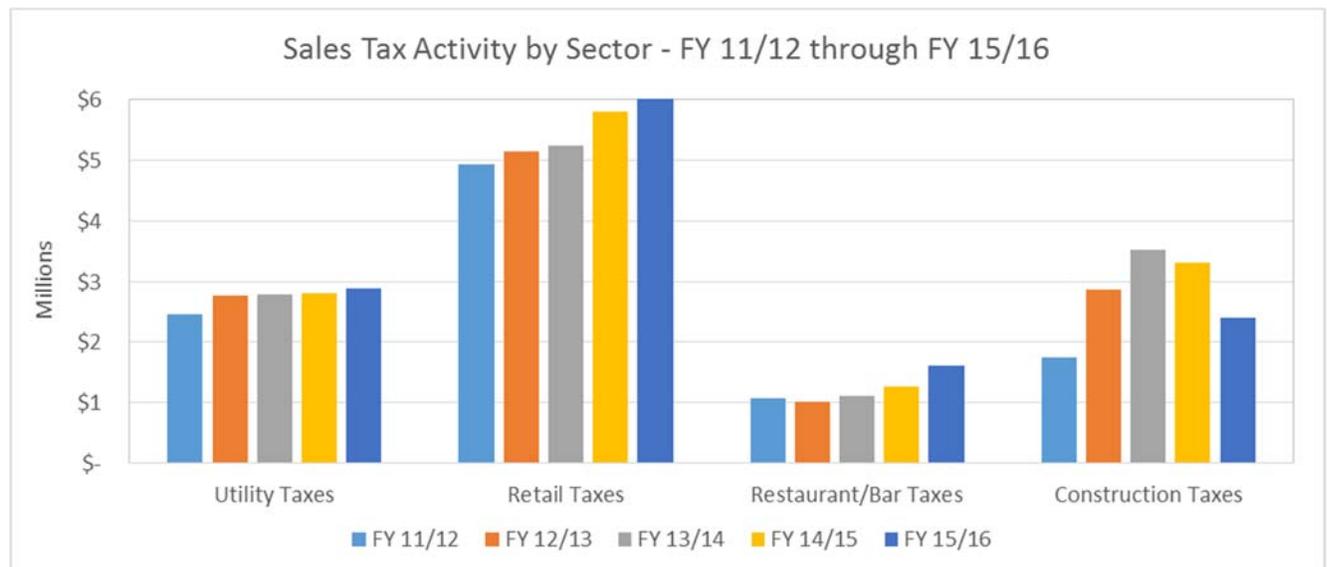
The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the Town operates.

Revenue growth remains slow, but cautiously steady at both the local and state level. Revenues are being impacted not only by an economy that continues to recover, but also by state legislative action that is negatively affecting revenues for all Arizona cities and towns. 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 77% of total General Fund revenue for FY 2015-16.

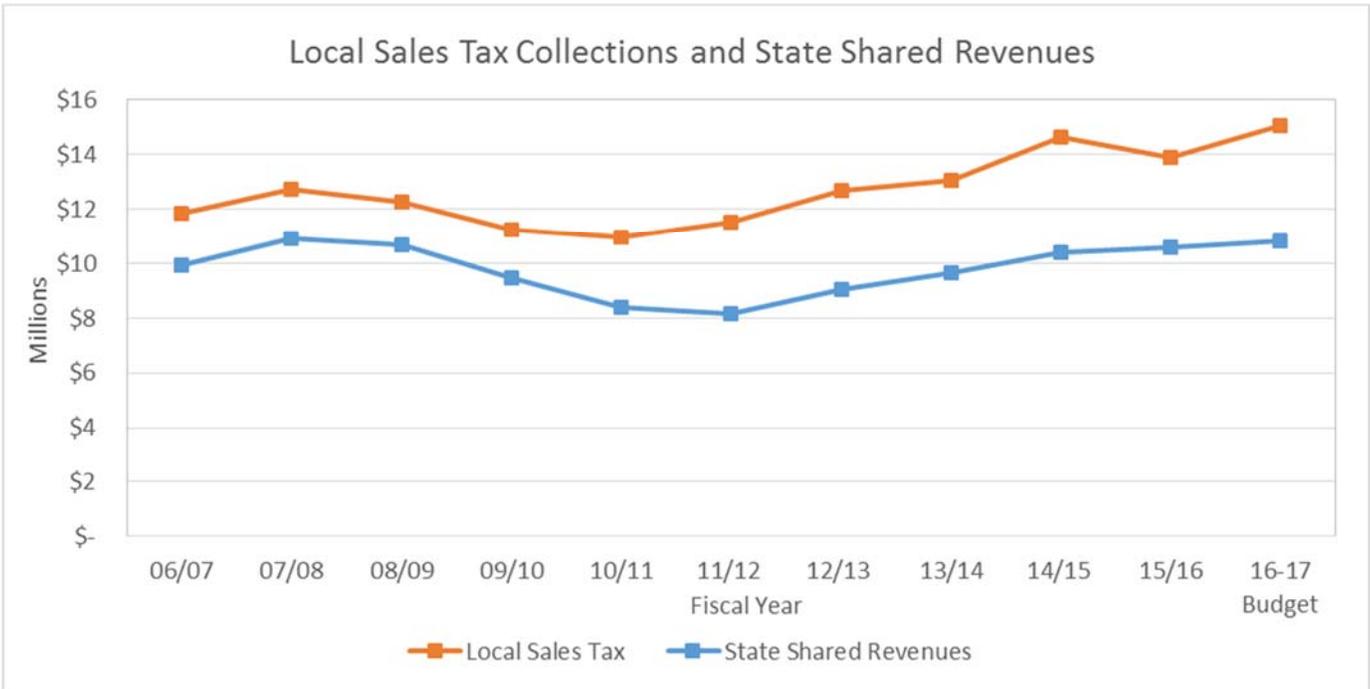
Most of the major local sales tax categories experienced year-over-year increases compared to amounts collected in FY 2014-15, with the exception of construction sales tax, as discussed below:

- Retail tax collections totaled \$6.8 million for FY 15-16, up 17%, or \$1 million over last fiscal year. The Town increased its local sales tax rate from 2% to 2.5% 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 center.
- Restaurant and bar tax collections totaled \$1.6 million for the fiscal year, up 23%, or \$300,000 over last fiscal year. This category of sales tax was also increased from 2% to 2.5% effective on March 1, 2015.
- Construction sales tax collections totaled \$2.4 million for the fiscal year, down 27%, or nearly \$900,000 from last fiscal year. This decline was due to the completion of several large multi-family housing complexes that were under construction during FY 2014-2015 and state legislative changes to the construction tax code that went into effect in January, 2015.
- Utility tax collections totaled \$2.9 million for the fiscal year, up 4%, or \$100,000 over last fiscal year.

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

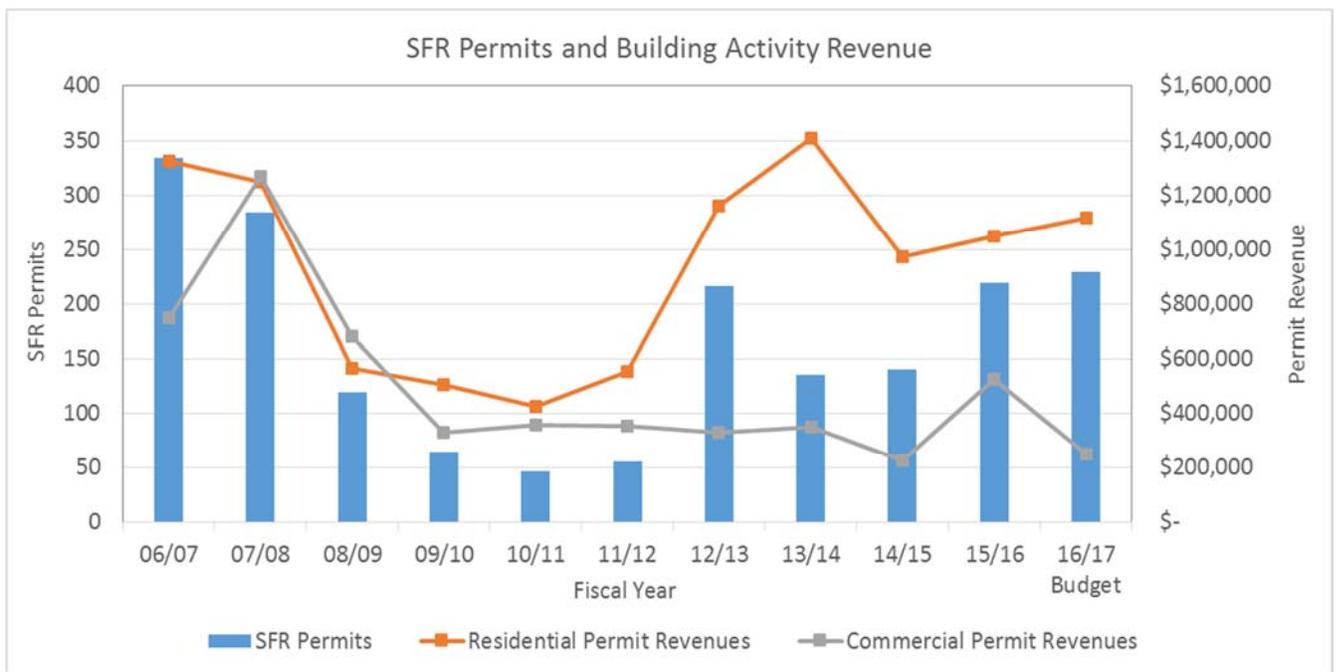


In FY 2015-16, the Town received \$10.6 million for state shared revenues in the General Fund, up 2%, or \$161,000 over last fiscal year. The trend chart below depicts the performance of both of these revenue categories since FY 2006-07:



Critical to our success in this area is the preparation of realistic growth assumptions that help guide our revenue projections. We continue to see modest economic growth in Oro Valley and the region. The projected residential development is considerable over the next five-year period; however, it will be spread out more than originally projected as we saw the production of homes going vertical at a slower pace than projected in the last few years. Currently, there is an inventory of nearly 1,400 residential lots available in residential developments under construction town-wide. In FY 2015-16, we saw that 220 single family residential (SFR) building permits were issued. The FY 2016-17 budget includes the assumption that 230 SFRs will be issued during the year as many developments have made their way through the planning and approval process and are now ready to build. The budget reflects continued modest growth in commercial activity with some new construction and tenant improvements of previously-vacant space. Two significant development projects in this category have been included in the revenue estimates for FY 2016-17: the new Amphitheater School District K-5 STEM school in Rancho Vistoso, and the All Seasons Memory Care facility in the Innovation Corporate Center.

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 2016-17, 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 2016-17, the Town will focus its efforts on supporting the elements of its adopted 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 2016-17 to maintain fair and competitive compensation provided to the Town’s most valuable assets, its employees.
- The FY 2016-17 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 2016-17 budget includes more than \$1.5 million for the Pavement Preservation Program in the Highway Fund, which maintains the current condition of our streets and roads.
- The FY 2016-17 budget includes investments in our parks and recreation facilities including two new unlit multi-use (soccer) fields at Naranja Park, Community Center ADA improvements, a Community Center family/teen area, tennis court improvements, golf cart path improvements and Aquatic Center pool heaters.
- The FY 2016-17 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 Standard and Poor’s and “AA-“ by 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 \$10.5 million, or 32% of FY 2016-17 adopted expenditures of \$33.1 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, 2015. This was the twenty-second 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,



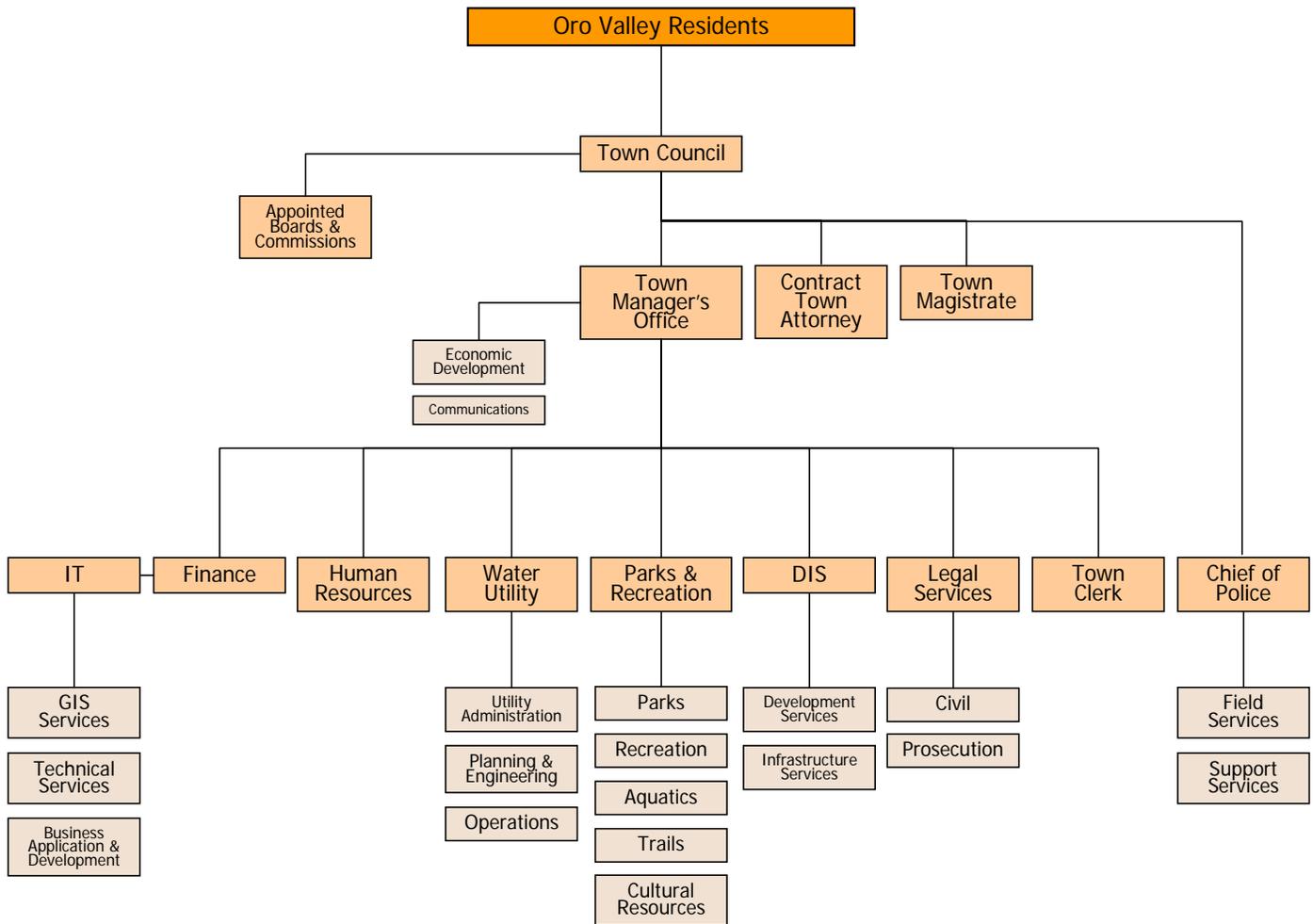
Daniel G. Sharp  
Interim Town Manager



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 MANAGEMENT**

Interim Town Manager	Daniel G. Sharp
Finance Director	Stacey Lemos, CPA
Human Resources Director	Gary Bridget
Town Clerk	Michael Standish
Magistrate	George Dunscomb
Legal Services Director	Tobin Sidles
Water Utility Director	Philip Saletta
Interim Chief of Police	Larry Stevens
Development & Infrastructure Services Director/Town Engineer	Paul Keesler
Parks and Recreation Director	Kristy Diaz-Trahan
Information Technology Director	Chuck Boyer

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Government Finance Officers Association

**Certificate of  
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Presented to

**Town of Oro Valley  
Arizona**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2015**

Executive Director/CEO

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**FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Town of Oro Valley, Arizona (Town), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***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, 2016, 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. 72, *Fair Value Measurement and Application*, for the year ended June 30, 2016, which represents a change in accounting principle. Our opinion is not modified with respect to this matter.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, 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 18, 2016, 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.

Tucson, Arizona

November 18, 2016

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

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**TOWN OF ORO VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2016**

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, 2016. 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 2015-16 as follows.

- The Town's total net position of governmental activities decreased \$1.7 million to \$126.2 million and business-type activities increased \$5.8 million to \$80.8 million representing 61 percent and 39 percent respectively, of the total net position of \$207.0 million.
- General revenues from governmental activities accounted for \$28.4 million in revenue, or 60 percent of all revenues from governmental activities. Program specific revenues in the form of charges for services and grants and contributions accounted for \$18.6 million or 40 percent of total governmental activities revenues. The Town had \$20.9 million of program revenues and \$204,669 in general revenues related to business-type activities.
- The Town had \$48.7 million in expenses related to governmental activities, an increase of 11 percent from the prior fiscal year. The Town had \$15.3 million in expenses related to business-type activities, an increase of six percent from the prior fiscal year.
- Among major funds, the General Fund had \$31.9 million in revenues, which primarily consisted of sales taxes and intergovernmental revenues. The total expenditures of the General Fund were \$30.5 million. The General Fund's fund balance increased from \$10.2 million to \$10.5 million.
- The Community Center Fund had \$5.9 million in revenues, which consisted primarily of sales taxes and charges for services. The total expenditures of the Community Center Fund were \$7.8 million.
- The Water Fund operating revenues of \$15.1 million exceeded operating expenses of \$12.9 million. The increase in net position of \$5.9 million was primarily due to revenues from charges for services exceeding operating expenses.

**TOWN OF ORO VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2016**

**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.

**TOWN OF ORO VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2016**

**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 and Community Center Funds, both of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements and schedules.

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

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

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town's budget process and pension plan. The Town adopts an annual expenditure budget for all governmental funds. A schedule of revenues, expenditures and changes in fund balances – budget and actual has been provided for the General Fund and the major Special Revenue Fund as required supplementary information. Schedules for the pension plan have been provided 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 \$207.0 million as of the current fiscal year end.

The largest portion of the Town's net position reflects its investment in capital assets (e.g., land, buildings and improvements, improvements other than buildings, infrastructure, vehicles, machinery and equipment and construction in progress), less any related outstanding debt used to acquire those assets.

**TOWN OF ORO VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2016**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The Town uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related outstanding debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following table presents a summary of the Town's net position for the fiscal years ended June 30, 2016 and June 30, 2015.

	2016	2015	2016	2015	2016 Total	2015 Total
	Governmental Activities	Governmental Activities	Business-type Activities	Business-type Activities		
Current and other assets	\$ 25,492,595	\$ 27,920,274	\$ 26,967,200	\$ 25,242,566	\$ 52,459,795	\$ 53,162,840
Capital assets, net	143,475,577	144,069,485	103,167,086	100,830,880	246,642,663	244,900,365
Total assets	<u>168,968,172</u>	<u>171,989,759</u>	<u>130,134,286</u>	<u>126,073,446</u>	<u>299,102,458</u>	<u>298,063,205</u>
Deferred outflows	<u>7,159,926</u>	<u>5,837,919</u>	<u>2,217,565</u>	<u>2,354,675</u>	<u>9,377,491</u>	<u>8,192,594</u>
Current and other liabilities	5,531,577	6,532,855	3,515,815	2,988,661	9,047,392	9,521,516
Long-term liabilities	<u>42,644,832</u>	<u>39,372,914</u>	<u>47,687,319</u>	<u>49,764,065</u>	<u>90,332,151</u>	<u>89,136,979</u>
Total liabilities	<u>48,176,409</u>	<u>45,905,769</u>	<u>51,203,134</u>	<u>52,752,726</u>	<u>99,379,543</u>	<u>98,658,495</u>
Deferred inflows	<u>1,761,164</u>	<u>4,015,632</u>	<u>382,698</u>	<u>724,253</u>	<u>2,143,862</u>	<u>4,739,885</u>
Net investment in capital assets	132,419,826	133,800,218	61,261,271	54,858,448	193,681,097	188,658,666
Restricted	4,653,905	3,599,966			4,653,905	3,599,966
Unrestricted	<u>(10,883,206)</u>	<u>(9,493,907)</u>	<u>19,504,748</u>	<u>20,092,694</u>	<u>8,621,542</u>	<u>10,598,787</u>
Total net position	<u>\$ 126,190,525</u>	<u>\$ 127,906,277</u>	<u>\$ 80,766,019</u>	<u>\$ 74,951,142</u>	<u>\$ 206,956,544</u>	<u>\$ 202,857,419</u>

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

- The addition of \$5.7 million in business-type activities capital assets through improvements to the existing water system.
- The addition of \$8.5 million in governmental activities capital assets, mostly consisting of multiple road improvements and pavement preservation upgrades
- The decrease of \$2.4 million in business-type activities long-term debt was primarily due to the issuance of \$1.2 million of refunding bonds, the issuance of \$1.3 million of loans, and annual debt service payments of \$5.0 million.
- The increase of \$97,622 in governmental activities long-term debt was primarily due to the addition of \$1.0 million of capital lease obligations, and net refunding of \$500 thousand.

**TOWN OF ORO VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2016**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Changes in net position.** The Town's total revenues for the current fiscal year were \$68.1 million. The total cost of all programs and services was \$64.1 million. The following table presents a summary of the changes in net position for the fiscal years ended June 30, 2016 and June 30, 2015.

	2016 Governmental Activities	2015 Governmental Activities	2016 Business-type Activities	2015 Business-type Activities	2016 Total	2015 Total
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 9,492,509	\$ 5,223,071	\$ 17,567,838	\$ 16,860,275	\$ 27,060,347	\$ 22,083,346
Operating grants and contributions	5,503,530	5,070,396	35,000		5,538,530	5,070,396
Capital grants and contributions	3,602,656	2,456,727	3,334,372	1,979,037	6,937,028	4,435,764
General revenues:						
Sales taxes	16,998,464	16,132,159			16,998,464	16,132,159
Franchise taxes	621,546	582,064			621,546	582,064
Unrestricted state shared revenues	10,549,196	10,413,464			10,549,196	10,413,464
Investment earnings	238,210	216,175	204,669	124,887	442,879	341,062
<b>Total revenues</b>	<u>47,006,111</u>	<u>40,094,056</u>	<u>21,141,879</u>	<u>18,964,199</u>	<u>68,147,990</u>	<u>59,058,255</u>
<b>Expenses:</b>						
General government	11,888,794	11,533,702			11,888,794	11,533,702
Public safety	16,123,500	16,587,168			16,123,500	16,587,168
Highways and streets	9,089,318	9,400,140			9,089,318	9,400,140
Transit	1,432,910	1,404,646			1,432,910	1,404,646
Culture and recreation	9,695,639	4,572,490			9,695,639	4,572,490
Interest on long-term debt	494,732	439,027			494,732	439,027
Water			14,406,074	13,608,931	14,406,074	13,608,931
Stormwater drainage			917,898	854,510	917,898	854,510
<b>Total expenses</b>	<u>48,724,893</u>	<u>43,937,173</u>	<u>15,323,972</u>	<u>14,463,441</u>	<u>64,048,865</u>	<u>58,400,614</u>
<b>Transfers</b>	<u>3,030</u>	<u>3,119</u>	<u>(3,030)</u>	<u>(3,119)</u>		
<b>Changes in net position</b>	<u>(1,715,752)</u>	<u>(3,839,998)</u>	<u>5,814,877</u>	<u>4,497,639</u>	<u>4,099,125</u>	<u>657,641</u>
<b>Net position, beginning, as restated</b>	<u>127,906,277</u>	<u>131,746,275</u>	<u>74,951,142</u>	<u>70,453,503</u>	<u>202,857,419</u>	<u>202,199,778</u>
<b>Net position, ending</b>	<u>\$ 126,190,525</u>	<u>\$ 127,906,277</u>	<u>\$ 80,766,019</u>	<u>\$ 74,951,142</u>	<u>\$ 206,956,544</u>	<u>\$ 202,857,419</u>

Total expenses increased \$5.6 million, or 10 percent, primarily due to the Town's community center being in operation for a full year.

The increase of \$9.1 million in total revenues was largely due to increased capital contributions from developers and a \$4.9 million increase in community center charges for services due to a full year of operations.

Business-type activities capital grants and contributions increased by \$1.4 million due to the execution of several line extension agreements with developers for several new home construction projects.

**TOWN OF ORO VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2016**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**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.

	2016		2015	
	Total Expenses	Net (Expense)/ Revenue	Total Expenses	Net (Expense)/ Revenue
<b>Governmental Activities</b>				
General government	\$ 11,888,794	\$ (7,610,593)	\$ 11,533,702	\$ (7,800,394)
Public safety	16,123,500	(15,271,780)	16,587,168	(15,706,629)
Highways and streets	9,089,318	(1,547,930)	9,400,140	(3,661,685)
Transit	1,432,910	(46,057)	1,404,646	(141,068)
Culture and recreation	9,695,639	(5,155,106)	4,572,490	(3,438,176)
Interest on long-term debt	494,732	(494,732)	439,027	(439,027)
<b>Total</b>	<u>\$ 48,724,893</u>	<u>\$ (30,126,198)</u>	<u>\$ 43,937,173</u>	<u>\$ (31,186,979)</u>
<b>Business-type Activities</b>				
Water	\$ 14,406,074	\$ 5,667,878	\$ 13,608,931	\$ 4,458,787
Stormwater drainage	917,898	(54,640)	854,510	(82,916)
<b>Total</b>	<u>\$ 15,323,972</u>	<u>\$ 5,613,238</u>	<u>\$ 14,463,441</u>	<u>\$ 4,375,871</u>

- The cost of all governmental activities this year was \$48.7 million. The increase of \$4.8 million from the prior year was due primarily to culture and recreation expenses from the Community Center for a full year of operations.
- The cost of all business-type activities this year was \$15.3 million. The increase of \$860,531 from the prior year was primarily due to an increase in operation and maintenance costs associated with the Water Utility department.
- Federal and State governments, developer contributions, and charges for services subsidized certain governmental programs and business-type programs with revenues of \$39.5 million.
- Net cost of governmental activities of \$30.1 million was financed by general revenues, which are made up of primarily sales taxes and state shared revenues of \$27.5 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.

**TOWN OF ORO VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2016**

**FINANCIAL ANALYSIS OF THE TOWN'S FUNDS**

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 \$18.6 million, a decrease of \$1.3 million. This was primarily due to the completion of several capital improvement projects such as, the Aquatic Center parking lot expansion, \$195,000, Police Property and ID facility improvements, \$500,000, Steam Pump Ranch improvements, \$200,000, and the addition of a restroom at Naranja Park, \$150,000. In addition, this was the first full year of operations for the Community and Recreation Center.

The General Fund is the principal operating fund of the Town. The fund balance increased by \$372,678 million in the General Fund to \$10.5 million for the current fiscal year primarily due to expenditures coming in below budget in most departments.

The Community Center Fund's fund balance decreased \$863,477 to \$161,745 primarily due to improvements to the Community Center facility and facility operating costs exceeding revenues. As fiscal year 2015-16 was the first full year of operation of the Community Center by the Town, it was a year of transition, investment and developing programming to sustain and increase memberships. As such, this use of fund balance was planned and anticipated as part of the facility investment and operations.

**Proprietary funds.** Net position of the Enterprise Funds at the end of the year amounted to \$80.8 million. This increased by \$5.8 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 2015-16 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 \$867,529 in sales tax revenue was a result of construction sales tax collections coming in under budget due to the delayed construction timing of several new commercial and residential housing developments. These revenues are anticipated to be received in fiscal year 2016-17. Also impacting this area were State legislative changes to the construction contracting sections of the tax code, eliminating certain categories of construction from the payment of construction sales taxes.
- The favorable variance of \$226,381 in charges for services was a result of collections from court fees, Aquatic Center user fees and Transit fare box fees exceeding budget.
- The unfavorable variance of \$144,504 in general government expenditures was a result of the pay out of accrued leave balances to several long-term employees due to retirement. The Town had sufficient resources in its reserve balance to cover these accrued leave expenditures.

**TOWN OF ORO VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2016**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** At year end, the Town had invested \$246.7 million in capital assets (net of accumulated depreciation), including buildings, facilities, vehicles, computers, equipment, and infrastructure assets. This amount represents a net increase of \$1.7 million from last year. This was primarily due to road improvement projects and expansion of the Town's water system, as well as depreciation expense of \$12.4 million.

The following schedule presents capital asset balances for the fiscal years ended June 30, 2016 and June 30, 2015.

	As of June 30, 2016	As of June 30, 2015
<b><u>Governmental Activities</u></b>		
Land	\$ 19,518,801	\$ 19,253,801
Infrastructure	168,952,706	166,966,180
Buildings and improvements	30,092,900	28,715,296
Machinery, equipment, and vehicles	16,122,605	14,436,773
Construction in progress	6,070,883	3,414,286
Less: Accumulated depreciation	<u>(97,282,318)</u>	<u>(88,716,851)</u>
<b>Total</b>	<b><u>\$ 143,475,577</u></b>	<b><u>\$ 144,069,485</u></b>
<b><u>Business-type Activities</u></b>		
Land	\$ 2,410,660	\$ 2,410,660
Water rights	8,534,490	8,534,490
Water system	126,061,264	120,915,619
Stormwater system	2,846,177	2,846,177
Equipment and vehicles	5,225,374	5,054,493
Construction in progress	874,446	457,559
Less: Accumulated depreciation	<u>(42,785,325)</u>	<u>(39,388,117)</u>
<b>Total</b>	<b><u>\$ 103,167,086</u></b>	<b><u>\$ 100,830,881</u></b>

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

**TOWN OF ORO VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2016**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Debt Administration.** At year end, the Town had \$52.0 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, 2016 and June 30, 2015.

<u>Governmental Activities</u>	<u>2016</u>	<u>2015</u>
Revenue bonds	\$ 7,688,890	\$ 8,179,610
Special assessment bonds	780,000	925,000
Note payable	700,000	1,000,000
Capital leases	966,692	128,594
<b>Total</b>	<u>\$ 10,135,582</u>	<u>\$ 10,233,204</u>
<u>Business-type Activities</u>		
Revenue bonds	\$ 32,951,110	\$ 35,985,390
Loan payable	8,879,907	8,169,765
Capital leases	80,423	118,862
<b>Total</b>	<u>\$ 41,911,440</u>	<u>\$ 44,274,017</u>

State statutes currently limit the amount of general obligation debt a Town may issue to 20 percent of its net full cash assessed valuation for water, sewer, lights, open space preserves, parks, playgrounds and recreational facilities. The current debt limitation for the Town is \$118.7 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 5.3 percent. Pima County's and the State of Arizona's unemployment rates are 5.7 percent and 5.8 percent, respectively.
- The Town's net full cash assessed valuation for the current year is \$593,299,222.
- Single family residential (SFR) building permits issued in this fiscal year totaled 220, as compared to 141 SFR building permits issued last fiscal year. Projections for SFR building permits are 230 for fiscal year 2016-17.

**TOWN OF ORO VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2016**

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The adopted combined operating and capital expenditure budget for fiscal year 2016-17 totals \$125.9 million, an increase of \$6.2 million, or 5.2 percent over last year's budget of \$119.7 million. This increase is primarily attributed to funding for an energy efficiency project at the Community Center for \$3.0 million and bonding capacity for parks and recreation expansion/improvements for \$5.0 million. The budget for fiscal year 2016-17 continues to place emphasis on the following: achieve the goals identified in the Town's adopted Strategic Plan and voter-approved general 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, 2016**

	Governmental Activities	Business-type Activities	Total
<b><u>ASSETS</u></b>			
Current assets:			
Cash and cash equivalents	\$ 21,754,382	\$ 24,700,883	\$ 46,455,265
Taxes receivable	755,071		755,071
Accounts receivable	528,799	2,262,817	2,791,616
Intergovernmental receivable	1,439,474		1,439,474
Special assessments	790,000		790,000
Inventories	112,788		112,788
Prepaid items	112,081	3,500	115,581
<b>Total current assets</b>	<u>25,492,595</u>	<u>26,967,200</u>	<u>52,459,795</u>
Noncurrent assets:			
Capital assets, non-depreciable	25,589,684	11,819,595	37,409,279
Capital assets, depreciable (net)	117,885,893	91,347,491	209,233,384
<b>Total noncurrent assets</b>	<u>143,475,577</u>	<u>103,167,086</u>	<u>246,642,663</u>
<b>Total assets</b>	<u>168,968,172</u>	<u>130,134,286</u>	<u>299,102,458</u>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>			
Deferred charge on refunding	112,421	1,692,600	1,805,021
Pension plan items	7,047,505	524,965	7,572,470
<b>Total deferred outflows of resources</b>	<u>7,159,926</u>	<u>2,217,565</u>	<u>9,377,491</u>
<b><u>LIABILITIES</u></b>			
Current liabilities:			
Accounts payable	1,338,767	766,133	2,104,900
Accrued wages and benefits	2,323,508	180,857	2,504,365
Intergovernmental payable	169,760	1,196,049	1,365,809
Interest payable		757,716	757,716
Unearned revenue	784,585		784,585
Customer deposits payable	308,815	615,060	923,875
Other accrued liabilities	606,142		606,142
Note payable	350,000		350,000
Compensated absences	1,403,069	203,353	1,606,422
Capital leases payable	248,020	41,848	289,868
Loans payable		601,322	601,322
Bonds payable	477,940	3,054,060	3,532,000
<b>Total current liabilities</b>	<u>8,010,606</u>	<u>7,416,398</u>	<u>15,427,004</u>
Noncurrent liabilities:			
Non-current portion of long-term obligations	40,165,803	43,786,736	83,952,539
<b>Total noncurrent liabilities</b>	<u>40,165,803</u>	<u>43,786,736</u>	<u>83,952,539</u>
<b>Total liabilities</b>	<u>48,176,409</u>	<u>51,203,134</u>	<u>99,379,543</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Pension plan items	1,761,164	382,698	2,143,862
<b><u>NET POSITION</u></b>			
Net investment in capital assets	132,419,826	61,261,271	193,681,097
Restricted for:			
Public safety	85,551		85,551
Capital outlay	4,498,900		4,498,900
Debt service	69,454		69,454
Unrestricted	(10,883,206)	19,504,748	8,621,542
<b>Total net position</b>	<u>\$ 126,190,525</u>	<u>\$ 80,766,019</u>	<u>\$ 206,956,544</u>

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, 2016**

<b>Functions/Programs</b>	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Primary Government</b>					
Governmental activities:					
General government	\$ 11,888,794	\$ 4,096,927	\$ 181,274	\$	\$ (7,610,593)
Public safety	16,123,500	168,808	624,816	58,096	(15,271,780)
Highway and streets	9,089,318	764,397	3,232,431	3,544,560	(1,547,930)
Transit	1,432,910	88,684	1,298,169		(46,057)
Culture and recreation	9,695,639	4,373,693	166,840		(5,155,106)
Interest on long-term debt	494,732				(494,732)
Total governmental activities	<u>48,724,893</u>	<u>9,492,509</u>	<u>5,503,530</u>	<u>3,602,656</u>	<u>(30,126,198)</u>
Business-type activities:					
Water	14,406,074	16,739,580		3,334,372	
Stormwater drainage	917,898	828,258	35,000		
Total business-type activities	<u>15,323,972</u>	<u>17,567,838</u>	<u>35,000</u>	<u>3,334,372</u>	
<b>Total primary government</b>	<u>\$ 64,048,865</u>	<u>\$ 27,060,347</u>	<u>\$ 5,538,530</u>	<u>\$ 6,937,028</u>	<u>(30,126,198)</u>
<b>General revenues:</b>					
Taxes:					
Sales taxes					16,998,464
Franchise taxes					621,546
Unrestricted state shared revenues					10,549,196
Investment earnings					238,210
<b>Transfers</b>					<u>3,030</u>
<b>Total general revenues and transfers</b>					<u>28,410,446</u>
<b>Changes in net position</b>					(1,715,752)
<b>Net position, beginning of year</b>					<u>127,906,277</u>
<b>Net position, end of year</b>					<u>\$ 126,190,525</u>

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

Net (Expense) Revenue and  
Changes in Net Position

Business-type Activities	Totals
\$	\$ (7,610,593)
	(15,271,780)
	(1,547,930)
	(46,057)
	(5,155,106)
	(494,732)
	(30,126,198)
	5,667,878
	(54,640)
	5,613,238
	5,613,238
	16,998,464
	621,546
	10,549,196
	442,879
204,669	
(3,030)	
201,639	28,612,085
	5,814,877
	4,099,125
	74,951,142
	202,857,419
\$ 80,766,019	\$ 206,956,544

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**FUND FINANCIAL STATEMENTS**

**TOWN OF ORO VALLEY, ARIZONA**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2016**

	General Fund	Community Center	Non-Major Governmental Funds
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 12,567,993	\$ 751,145	\$ 7,629,364
Taxes receivable	755,071		
Accounts receivable	341,122	112,609	
Intergovernmental receivable	507,504		931,970
Special assessments			790,000
Due from other funds	29,103		
Inventories		112,788	
Prepaid items	97,269	14,812	
<b>Total assets</b>	<b>\$ 14,298,062</b>	<b>\$ 991,354</b>	<b>\$ 9,351,334</b>
 <b><u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u></b>			
Liabilities:			
Accounts payable	\$ 659,249	\$ 106,078	\$ 498,821
Accrued wages and benefits	2,217,525		105,983
Intergovernmental payable	169,760		
Sales tax payable	173,069		
Unearned revenue	245,091	539,494	
Due to other funds			29,103
Customer deposits payable	308,815		
Other accrued liabilities		184,037	
<b>Total liabilities</b>	<b>3,773,509</b>	<b>829,609</b>	<b>633,907</b>
Deferred inflows of resources:			
Unavailable revenues - special assessments			790,000
Fund balances (deficits):			
Nonspendable	97,269	127,600	
Restricted			4,079,173
Committed		34,145	2,536,461
Assigned	1,441,862		1,340,991
Unassigned	8,985,422		(29,198)
<b>Total fund balances</b>	<b>10,524,553</b>	<b>161,745</b>	<b>7,927,427</b>
 <b>Total liabilities, deferred inflows of resources and fund balances</b>	 <b>\$ 14,298,062</b>	 <b>\$ 991,354</b>	 <b>\$ 9,351,334</b>

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

Total  
Governmental  
Funds

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\$ 20,948,502  
755,071  
453,731  
1,439,474  
790,000  
29,103  
112,788  
112,081  

---

\$ 24,640,750

\$ 1,264,148  
2,323,508  
169,760  
173,069  
784,585  
29,103  
308,815  
184,037  

---

5,237,025

---

790,000

224,869  
4,079,173  
2,570,606  
2,782,853  

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8,956,224  

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18,613,725

\$ 24,640,750

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**TOWN OF ORO VALLEY, ARIZONA**  
**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2016**

**Total governmental fund balances** **\$ 18,613,725**

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	\$ 240,757,895	
Less accumulated depreciation	<u>(97,282,318)</u>	143,475,577

Special assessments receivable are not available to pay for current period expenditures and therefore are reported as unavailable revenue in the funds.		790,000
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Deferred items related to the net cost of issuance of bonds are amortized over the life of the associated bond issue in the government-wide statements but not reported in the funds.

Deferred charge on refunding	112,421	
Deferred bond premium	<u>(27,748)</u>	84,673

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	7,033,594	
Deferred inflows of resources related to pensions	<u>(1,751,023)</u>	5,282,571

The Internal Service Fund is used by management to charge the cost of services to the individual funds. The assets and liabilities of the Internal Service Fund are included in the Statement of Net Position.		461,457
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Special assessment bonds	(780,000)	
Revenue bonds	(7,688,890)	
Note payable	(700,000)	
Capital leases	(966,692)	
Net pension liability	(30,583,092)	
Compensated absences	<u>(1,798,804)</u>	<u>(42,517,478)</u>

**Net position of governmental activities** **\$ 126,190,525**

**The notes to the basic financial statements are an 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, 2016**

	General Fund	Community Center	Non-Major Governmental Funds
<b>Revenues:</b>			
Sales taxes	\$ 13,913,125	\$ 2,030,750	\$ 1,054,589
Franchise taxes	621,546		
Development impact fees			795,471
Special assessments			189,525
Intergovernmental	12,732,130		6,755,936
Licenses, fees & permits	1,872,858		43,134
Fines, forfeitures & penalties	159,154		124,316
Charges for services	2,100,215	3,721,843	134,000
Contributions and donations		149,513	
Investment earnings	162,310		75,900
Other	322,640	3,946	178,210
<b>Total revenues</b>	<u>31,883,978</u>	<u>5,906,052</u>	<u>9,351,081</u>
<b>Expenditures:</b>			
Current -			
General government	10,775,836		650,851
Public safety	15,182,914		311,618
Highway and streets			2,754,413
Transit	1,432,910		
Culture and recreation	3,033,101	6,064,651	
Capital outlay		1,542,988	6,452,352
Debt service -			
Principal retirement	41,608	180,109	675,920
Interest and fiscal charges	3,845	24,995	307,670
Bond issuance costs			104,533
<b>Total expenditures</b>	<u>30,470,214</u>	<u>7,812,743</u>	<u>11,257,357</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>1,413,764</u>	<u>(1,906,691)</u>	<u>(1,906,276)</u>
<b>Other financing sources (uses):</b>			
Capital lease agreements		1,043,214	
Sale of refunding bonds			2,529,250
Transfers in	185,000		1,687,026
Transfers out	(1,226,086)		(642,910)
Payment to bond escrow agent			(2,523,121)
<b>Total other financing sources (uses):</b>	<u>(1,041,086)</u>	<u>1,043,214</u>	<u>1,050,245</u>
<b>Changes in fund balances</b>	<u>372,678</u>	<u>(863,477)</u>	<u>(856,031)</u>
<b>Fund balances, beginning of year</b>	10,151,875	1,025,222	8,783,458
<b>Fund balances, end of year</b>	<u>\$ 10,524,553</u>	<u>\$ 161,745</u>	<u>\$ 7,927,427</u>

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

Total  
Governmental  
Funds

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\$ 16,998,464  
621,546  
795,471  
189,525  
19,488,066  
1,915,992  
283,470  
5,956,058  
149,513  
238,210  
504,796  

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47,141,111

11,426,687  
15,494,532  
2,754,413  
1,432,910  
9,097,752  
7,995,340

897,637  
336,510  
104,533  

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49,540,314

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(2,399,203)

1,043,214  
2,529,250  
1,872,026  
(1,868,996)  
(2,523,121)  

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1,052,373

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(1,346,830)

19,960,555

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\$ 18,613,725

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**TOWN OF ORO VALLEY, ARIZONA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2016**

**Changes in fund balances - total governmental funds** **\$ (1,346,830)**

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

Governmental funds report the portion of capital outlay for capitalized assets as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense.

Expenditures for capitalized assets	\$ 8,459,549	
Less current year depreciation	<u>(9,015,552)</u>	(556,003)

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. (135,000)

Issuance of capital lease obligations provides current financial resources to governmental funds, but the issuance increases long term liabilities in the Statement of Net Position. (1,043,214)

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

Note payable principal retirement	300,000	
Capital lease principal retirement	221,717	
Revenue bond principal retirement	474,119	
Special assessment bond principal retirement	<u>145,000</u>	1,140,836

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	2,624,688	
Pension expense	<u>(2,641,481)</u>	(16,793)

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 assets	(37,905)	
Compensated absences	<u>225,903</u>	184,981

The Internal Service Fund is used by management to charge the cost of insurance to the individual funds. The changes in net position of the Internal Service Fund is reported with governmental activities in the Statement of Activities. 56,271

**Changes in net position in governmental activities** **\$ (1,715,752)**

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

**TOWN OF ORO VALLEY, ARIZONA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2016**

	Enterprise Funds		
	Water	Non-Major Enterprise Funds	Totals
<b><u>ASSETS</u></b>			
Current assets:			
Cash and cash equivalents	\$ 24,411,084	\$ 289,799	\$ 24,700,883
Accounts receivable	2,095,381	167,436	2,262,817
Prepaid items	3,500		3,500
Total current assets	<u>26,509,965</u>	<u>457,235</u>	<u>26,967,200</u>
Noncurrent assets:			
Capital assets, non-depreciable	11,819,595		11,819,595
Capital assets, depreciable (net)	88,206,374	3,141,117	91,347,491
Total noncurrent assets	<u>100,025,969</u>	<u>3,141,117</u>	<u>103,167,086</u>
<b>Total assets</b>	<u>126,535,934</u>	<u>3,598,352</u>	<u>130,134,286</u>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>			
Deferred charge on refunding	1,692,600		1,692,600
Pension plan items	473,493	51,472	524,965
<b>Total deferred outflows of resources</b>	<u>2,166,093</u>	<u>51,472</u>	<u>2,217,565</u>
<b><u>LIABILITIES</u></b>			
Current liabilities:			
Accounts payable	749,936	16,197	766,133
Accrued wages and benefits	163,805	17,052	180,857
Intergovernmental payable	1,196,049		1,196,049
Interest payable	757,716		757,716
Customer deposits payable	615,060		615,060
Compensated absences	192,507	10,846	203,353
Capital leases payable		41,848	41,848
Loans payable	601,322		601,322
Bonds payable	3,054,060		3,054,060
Claims payable			
Total current liabilities	<u>7,330,455</u>	<u>85,943</u>	<u>7,416,398</u>
Noncurrent liabilities:			
Non-current portion of long-term obligations	43,342,115	444,621	43,786,736
Total noncurrent liabilities	<u>43,342,115</u>	<u>444,621</u>	<u>43,786,736</u>
<b>Total liabilities</b>	<u>50,672,570</u>	<u>530,564</u>	<u>51,203,134</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Pension plan items	345,175	37,523	382,698
<b><u>NET POSITION</u></b>			
Net investment in capital assets	58,200,577	3,060,694	61,261,271
Unrestricted	19,483,705	21,043	19,504,748
<b>Total net position</b>	<u>\$ 77,684,282</u>	<u>\$ 3,081,737</u>	<u>\$ 80,766,019</u>

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

Governmental  
Activities:  
Internal Service  
Funds

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\$ 805,880  
75,068

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880,948

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880,948

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13,911  

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13,911

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74,619

249,036  

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323,655

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99,606  

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99,606  

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423,261

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10,141

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461,457  

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\$ 461,457

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**TOWN OF ORO VALLEY, ARIZONA**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	Enterprise Funds		
	Water	Non-Major Enterprise Funds	Totals
<b>Operating revenues:</b>			
Charges for services	\$ 15,079,500	\$ 828,258	\$ 15,907,758
Other	20,768		20,768
Self insurance premiums			
<b>Total operating revenues</b>	<u>15,100,268</u>	<u>828,258</u>	<u>15,928,526</u>
<b>Operating expenses:</b>			
Costs of sales and services	9,485,641	767,211	10,252,852
Depreciation and amortization	3,419,862	150,687	3,570,549
Claims payments			
Administrative fees			
Reinsurance premiums			
<b>Total operating expenses</b>	<u>12,905,503</u>	<u>917,898</u>	<u>13,823,401</u>
<b>Operating income (loss)</b>	<u>2,194,765</u>	<u>(89,640)</u>	<u>2,105,125</u>
<b>Nonoperating revenues (expenses):</b>			
Development impact fees	1,094,460		1,094,460
Intergovernmental		35,000	35,000
Connection fees	544,852		544,852
Investment earnings	204,035	634	204,669
Interest expense	(1,500,571)		(1,500,571)
<b>Total nonoperating revenues (expenses)</b>	<u>342,776</u>	<u>35,634</u>	<u>378,410</u>
<b>Income (loss) before capital contributions and transfers</b>	<u>2,537,541</u>	<u>(54,006)</u>	<u>2,483,535</u>
<b>Capital contributions</b>	3,334,372		3,334,372
<b>Transfers out</b>	<u>(3,030)</u>		<u>(3,030)</u>
<b>Changes in net position</b>	<u>5,868,883</u>	<u>(54,006)</u>	<u>5,814,877</u>
<b>Total net position, beginning of year</b>	71,815,399	3,135,743	74,951,142
<b>Total net position, end of year</b>	<u>\$ 77,684,282</u>	<u>\$ 3,081,737</u>	<u>\$ 80,766,019</u>

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

Governmental  
Activities:  
Internal Service  
Funds

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\$ 1,363,351  
77,074  
3,015,655  
4,456,080

1,196,465

2,513,124  
57,000  
633,220  
4,399,809

56,271

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56,271

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56,271

405,186

\$ 461,457

**TOWN OF ORO VALLEY, ARIZONA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	Enterprise Funds			Governmental Activities
	Water	Non-Major Enterprise Funds	Total	Internal Service Funds
<b><u>Increase (Decrease) in Cash and Cash Equivalents</u></b>				
Cash flows from operating activities:				
Cash received from customers	\$ 14,953,022	\$ 756,324	\$ 15,709,346	\$ 1,440,425
Cash received from premiums				2,940,587
Cash payments to suppliers for goods and services	(6,653,377)	(493,059)	(7,146,436)	(1,815,135)
Cash payments to employees for services	(2,171,712)	(270,505)	(2,442,217)	(65,097)
Cash payments for claims				(2,426,789)
<b>Net cash provided by (used for) operating activities</b>	<b>6,127,933</b>	<b>(7,240)</b>	<b>6,120,693</b>	<b>73,991</b>
Cash flows from noncapital and related financing activities:				
Interfund transfers	(3,030)		(3,030)	
Connection fees	544,852		544,852	
Grants received		35,000	35,000	
<b>Net cash provided by noncapital financing activities</b>	<b>541,822</b>	<b>35,000</b>	<b>576,822</b>	
Cash flows from capital and related financing activities:				
Development impact fees	1,094,460		1,094,460	
Acquisition of capital assets	(2,572,380)		(2,572,380)	
Proceeds from loans and refunding bonds	2,530,784		2,530,784	
Principal paid on long-term debt	(3,660,703)	(38,439)	(3,699,142)	
Payment to bond escrow agent	(1,242,731)		(1,242,731)	
Interest on long-term debt	(1,455,659)		(1,455,659)	
<b>Net cash used for capital and related financing activities</b>	<b>(5,306,229)</b>	<b>(38,439)</b>	<b>(5,344,668)</b>	
Cash flows from investing activities:				
Investment income	204,035	634	204,669	
<b>Net cash provided by investing activities</b>	<b>204,035</b>	<b>634</b>	<b>204,669</b>	
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1,567,561</b>	<b>(10,045)</b>	<b>1,557,516</b>	<b>73,991</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>22,843,523</b>	<b>299,844</b>	<b>23,143,367</b>	<b>731,889</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 24,411,084</b>	<b>\$ 289,799</b>	<b>\$ 24,700,883</b>	<b>\$ 805,880</b>
<b><u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</u></b>				
<b>Operating income (loss)</b>	<b>\$ 2,194,765</b>	<b>\$ (89,640)</b>	<b>\$ 2,105,125</b>	<b>\$ 56,271</b>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation and amortization	3,419,862	150,687	3,570,549	
Change in assets and liabilities:				
Accounts receivable	(229,183)	(71,934)	(301,117)	(75,068)
Prepaid items	133,999		133,999	
Accounts payable	471,720	15,262	486,982	7,295
Claims payable				86,335
Accrued payroll and related benefits	26,166	(8,496)	17,670	
Compensated absences payable				
Deposits held for others	81,937		81,937	
Pension items	28,667	(3,119)	25,548	(842)
<b>Total adjustments</b>	<b>3,933,168</b>	<b>82,400</b>	<b>4,015,568</b>	<b>17,720</b>
<b>Net cash provided by (used for) operating activities</b>	<b>\$ 6,127,933</b>	<b>\$ (7,240)</b>	<b>\$ 6,120,693</b>	<b>\$ 73,991</b>
<b><u>Non-cash capital and financing activities</u></b>				
Contribution of assets from developers	\$ 3,334,372		\$ 3,334,372	

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**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, 2016, the Town implemented the provisions of GASB Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements and establishes a hierarchy of inputs to valuation techniques used to measure fair value. This Statement also enhances accountability and transparency through revised note disclosures.

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

**A. Reporting Entity**

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

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

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

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**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.

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**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.

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**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 funds.

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

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

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.

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**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.

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**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:

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

**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.

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**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.

**TOWN OF ORO VALLEY, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**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.

**Individual Deficit Fund Balance** – At year end, the Federal Seizures and Forfeitures Fund, a non-major governmental fund reported a deficit in fund balance of \$29,198. The deficit arose because of operations during the year. Additional revenues received in fiscal year 2016-17 are expected to eliminate the deficit.

**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.

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**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. The committed fund balance reported in the Community Center Fund is used for the culture and recreation activity of the Community Center.

***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.

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**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	Community Center Fund	Non-Major Governmental Funds
Fund Balances:			
Nonspendable:			
Inventory	\$	\$ 112,788	\$
Prepaid items	97,269	14,812	
Restricted:			
Debt service			69,454
Capital projects			3,876,918
Public safety			85,551
Committed		34,145	2,583,711
Assigned:			
Compensated absences	1,244,471		
Unemployment claims	197,391		
Townwide capital			1,340,991
Unassigned	8,985,422		(29,198)
Total fund balances	\$ 10,524,553	\$ 161,745	\$ 7,927,427

**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. Participants in the pool are not required to categorize the value of shares in accordance with the fair value hierarchy.

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**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. Participants in the pool are not required to categorize the value of shares in accordance with the fair value hierarchy. Participants in the pool are not required to categorize the value of shares in accordance with the fair value hierarchy

*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 \$3,401,964 and the bank balance was \$2,243,642.

*Fair Value Measurements.* The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

- Level 1 inputs are quoted prices in active markets for identical assets
- Level 2 inputs are significant other observable inputs
- Level 3 inputs are significant unobservable inputs

All investments in which the fair value hierarchy is applicable are measured at fair value on a recurring basis. At year end, the Town’s investments consisted of the following:

Investment Type	Category	Fair Value	Investments Maturities (in Years)	
			Less than 1	1-5
Money Market - U.S. Treasuries	Level 2	\$ 4,351,956	\$ 4,351,956	\$
Municipal Securities	Level 2	230,000	230,000	
Commercial Paper	Level 2	2,489,276	2,489,276	
U.S. Treasury Bonds/Notes	Level 2	12,342,627		12,342,276
U.S. Agencies Bonds/Notes	Level 2	16,110,537	2,475,548	13,634,989
Supranational Agency Bonds	Level 2	491,678		491,678
			<u>\$ 9,546,780</u>	<u>\$ 26,468,943</u>
County Treasurer’s investment pool	Not Applicable	181,119	203 days average maturities	
State Treasurer’s investment pool 5	Not Applicable	6,856,108	22 days average maturities	
Total		<u>\$43,053,301</u>		

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 4 – CASH AND INVESTMENTS**

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

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

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

1. Limiting investments to the types of securities listed in Section 6 of 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 AA Af/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.

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**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	\$ 102,988	\$
Due from state government	404,516	283,488
Due from other governments		648,482
Net intergovernmental receivables	\$ 507,504	\$ 931,970

**NOTE 6 – CAPITAL ASSETS**

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

<b>Governmental Activities</b>	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 19,253,801	\$ 265,000	\$	\$ 19,518,801
Construction in progress	3,414,286	3,590,349	933,752	6,070,883
Total capital assets, not being depreciated	22,668,087	3,855,349	933,752	25,589,684
Capital assets, being depreciated:				
Infrastructure	166,966,180	1,986,526		168,952,706
Buildings and improvements	28,715,296	1,377,604		30,092,900
Machinery, equipment, and vehicles	14,436,773	2,173,822	487,990	16,122,605
Total capital assets being depreciated	210,118,249	5,537,952	487,990	215,168,211
Less accumulated depreciation for:				
Infrastructure	(73,798,455)	(6,522,168)		(80,320,623)
Buildings and improvements	(5,652,141)	(780,751)		(6,432,892)
Machinery, equipment, and vehicles	(9,266,255)	(1,712,633)	(450,085)	(10,528,803)
Total accumulated depreciation	(88,716,851)	(9,015,552)	(450,085)	(97,282,318)
Total capital assets, being depreciated, net	121,401,398	(3,477,600)	37,905	117,885,893
Governmental activities capital assets, net	\$ 144,069,485	\$ 377,749	\$ 971,657	\$ 143,475,577

**TOWN OF ORO VALLEY, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 6 – CAPITAL ASSETS**

<u>Business-Type Activities</u>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 2,410,660	\$	\$	\$ 2,410,660
Water rights	8,534,490			8,534,490
Construction in progress	457,559	674,312	257,425	874,446
Total capital assets, not being depreciated	<u>11,402,709</u>	<u>674,312</u>	<u>257,425</u>	<u>11,819,596</u>
Capital assets, being depreciated:				
Water system	120,915,619	5,145,645		126,061,264
Stormwater system	2,846,177			2,846,177
Equipment and vehicles	5,054,492	197,858	26,976	5,225,374
Total capital assets being depreciated	<u>128,816,288</u>	<u>5,343,503</u>	<u>26,976</u>	<u>134,132,815</u>
Less accumulated depreciation for:				
Water system	(35,785,455)	(3,088,890)		(38,874,345)
Stormwater system	(311,350)	(60,626)		(371,976)
Equipment and vehicles	(3,291,312)	(274,668)	(26,976)	(3,539,004)
Total accumulated depreciation	<u>(39,388,117)</u>	<u>(3,424,184)</u>	<u>(26,976)</u>	<u>(42,785,325)</u>
Total capital assets, being depreciated, net	<u>89,428,171</u>	<u>1,919,319</u>		<u>91,347,490</u>
Business-type activities capital assets, net	<u>\$ 100,830,880</u>	<u>\$ 2,593,631</u>	<u>\$ 257,425</u>	<u>\$ 103,167,086</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$1,057,306
Public Safety	705,740
Highways and streets	6,580,978
Culture and recreation	<u>671,528</u>
Total depreciation expense – governmental activities	<u>\$9,015,552</u>
Business-type activities:	
Water	\$3,273,497
Stormwater	<u>150,687</u>
Total depreciation expense – business-type activities	<u>\$3,424,184</u>

**Construction Commitments** – As of year end, the Town was involved in several construction projects. The estimated cost to complete the construction projects is \$12.4 million.

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 7 – LOANS PAYABLE**

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

<u>Business-type activities:</u>	<u>Interest Rate (Including Fees)</u>	<u>Remaining Maturities</u>	<u>Outstanding Principal June 30, 2016</u>	<u>Due Within One Year</u>
WIFA Loan, 2007	2.04%	7/1/16-27	\$ 3,029,942	\$ 213,283
WIFA Loan, 2009	2.75%	7/1/16-29	1,682,838	97,457
WIFA Loan, 2014	2.65%	7/1/16-25	4,167,127	290,582
Total			<u>\$ 8,879,907</u>	<u>\$ 601,322</u>

**NOTE 7 – LOANS PAYABLE**

Principal and interest payments on the business-type activities loans payable at June 30, 2016 are summarized as follows:

Year ending June 30:	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 601,322	\$ 259,759
2018	599,562	242,691
2019	617,936	224,029
2020	636,882	205,056
2021	656,421	185,216
2022-26	3,597,212	606,045
2027-30	2,170,572	96,097
Total	<u>\$ 8,879,907</u>	<u>\$ 1,818,893</u>

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**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, water revenues, and impact fees are used to pay bonded debt.

Purpose	Original Amount Issued	Interest Rates	Remaining Maturities	Outstanding Principal June 30, 2016	Due Within One Year
<b>Governmental activities:</b>					
Refunding Revenue Bonds, 2007	\$ 1,389,180	4.25-5.00%	7/1/16-26	\$ 1,199,640	\$ 52,260
Excise Tax Revenue Obligations, 2010	2,445,000	3.72-6.59%	7/1/16-27	1,780,000	135,000
Revenue Bonds, 2012	2,580,000	2.00-4.00%	7/1/54-27	2,180,000	145,000
Refunding Excise Tax Revenue Obligations, 2015	2,529,250	1.91%	7/1/16-25	2,529,250	2,680
<b>Total</b>				<u>\$ 7,688,890</u>	<u>\$ 334,940</u>

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

Year ending June 30:	Governmental Activities	
	Principal	Interest
2017	\$ 334,940	\$ 281,475
2018	598,890	264,883
2019	622,930	243,924
2020	636,410	221,969
2021	766,870	196,360
2022-26	3,816,750	571,499
2027-28	912,100	41,007
<b>Total</b>	<u>\$ 7,688,890</u>	<u>\$ 1,821,117</u>

Purpose	Original Amount Issued	Interest Rates	Remaining Maturities	Outstanding Principal June 30, 2016	Due Within One Year
<b>Business-type activities:</b>					
Refunding Revenue Bonds, 2007	\$ 16,420,820	4.25-5.00%	7/1/16-26	\$ 14,180,360	\$ 617,740
Refunding Revenue Bonds, 2012	16,595,000	2.00-5.00%	7/1/16-28	13,565,000	1,470,000
Refunding Revenue Bonds, 2013	6,355,000	1.45%	7/1/16-19	3,960,000	965,000
Refunding Revenue Bonds, 2015	1,245,750	1.91%	7/1/16-25	1,245,750	1,320
<b>Total</b>				<u>\$ 32,951,110</u>	<u>\$ 3,054,060</u>

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 8 – BONDS PAYABLE**

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

Year ending June 30:	Business-type Activities	
	Principal	Interest
2017	\$ 3,054,060	\$ 1,212,651
2018	3,253,110	1,130,933
2019	3,344,070	1,027,858
2020	3,458,590	913,219
2021	3,902,130	767,629
2022-26	13,091,250	1,769,135
2027-29	2,847,900	145,992
Total	<u>\$ 32,951,110</u>	<u>\$ 6,967,417</u>

During the year ended June 30, 2016, the Town issued \$3,775,000 in refunding bonds (allocated to governmental and business-type activities debt), with an effective interest rate of 1.91 percent, to advance refund \$3,715,000 of outstanding Excise Tax Revenue Refunding Bonds, Series 2005, with an average interest rate of 4.12 percent. The net proceeds of \$3,765,852, which includes a Town contribution of \$75,647, (after payment of \$84,795 of issuance fees) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent, to provide for all future debt service payments of the refunded bonds. As a result, the refunded general obligation bonds are considered to be defeased, and the liability for those bonds has been removed from the government-wide financial statements. The reacquisition price exceeded the net carrying amount of the old debt by \$50,852. This advance refunding was undertaken to reduce total debt service payments over the next 10 fiscal years by \$337,952 and resulted in an economic gain of \$334,650.

**Pledged revenues – governmental activities.** The Town has pledged future sales (excise) tax revenues to repay outstanding revenue bonds and refunding revenue bonds of \$7.7 million as of June 30, 2016. 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 \$9.5 million. The current total sales tax revenues were \$17.0 million and the total principal and interest paid on the bonds was \$879,018, 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 \$33.0 million as of June 30, 2016. 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 \$33.0 million. The current total customer gross revenues were \$16.7 million and the total principal and interest paid on the bonds was \$4.3 million or 26 percent of gross revenues.

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**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, 2016	Due Within One Year
<b>Governmental activities:</b>					
Special assessments debt	\$3,945,000	4.30-5.00%	1/1/16-21	\$ 780,000	\$ 143,000
Total				<u>\$ 780,000</u>	<u>\$ 143,000</u>

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

Year ending June 30:	Governmental Activities	
	Principal	Interest
2017	\$ 143,000	\$ 33,280
2018	148,000	26,297
2019	158,000	19,256
2020	163,000	11,793
2021	168,000	3,976
Total	<u>\$ 780,000</u>	<u>\$ 94,602</u>

**NOTE 10 – OBLIGATIONS UNDER CAPITAL LEASES**

The governmental activities of the Town have acquired police motorcycles and community center utility vehicles 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 General Fund and Community Center 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	\$ 1,341,558
Less: Accumulated depreciation	231,841
Total	<u>\$ 1,109,717</u>

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**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:	<u>Governmental Activities</u>
2017	\$ 277,211
2018	277,212
2019	216,133
2020	213,008
2021	<u>46,471</u>
Total minimum lease payments	1,030,035
Less: amount representing interest	<u>63,343</u>
Present value of minimum lease payments	<u>\$ 966,692</u>
Due within one year	<u>\$ 248,020</u>

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:

Asset:	<u>Business-type Activities</u>
Machinery, equipment, and vehicles	\$ 234,362
Less: Accumulated depreciation	<u>37,742</u>
Total	<u>\$ 196,620</u>

**TOWN OF ORO VALLEY, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**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
2017	\$ 42,055
2018	42,055
Total minimum lease payments	84,110
Less: amount representing interest	3,687
Present value of minimum lease payments	\$ 80,423
Due within one year	\$ 41,848

**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
<b>Governmental activities:</b>					
Revenue bonds payable	\$ 8,179,610	\$ 2,529,250	\$ 3,019,970	\$ 7,688,890	\$ 334,940
Deferred bond premium	36,063		8,315	27,748	
Total bonds payable	8,215,673	2,529,250	3,028,285	7,716,638	334,940
Special assessments payable	925,000		145,000	780,000	143,000
Note payable	1,000,000		300,000	700,000	350,000
Capital leases payable	128,594	1,043,214	205,116	966,692	248,020
Net pension liability	27,078,940	3,603,758		30,682,698	
Compensated absences payable	2,024,707	1,487,584	1,713,487	1,798,804	1,403,069
Governmental activity long-term liabilities	\$ 39,372,914	\$ 8,663,806	\$ 5,391,888	\$ 42,644,832	\$ 2,479,029

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 11 – CHANGES IN LONG-TERM LIABILITIES**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Business-type activities:</b>					
Revenue bonds payable	\$ 35,985,390	\$ 1,245,750	\$ 4,280,030	\$ 32,951,110	\$ 3,054,060
Deferred bond premium	1,698,415		131,878	1,566,537	
Total bonds payable	<u>37,683,805</u>	<u>1,245,750</u>	<u>4,411,908</u>	<u>34,517,647</u>	<u>3,054,060</u>
Loan payable	8,169,765	1,293,678	583,536	8,879,907	601,322
Capital leases payable	118,862		38,439	80,423	41,848
Net pension liability	3,498,046	403,185		3,901,231	
Compensated absences payable	293,587	262,163	247,639	308,111	203,353
Business-type activities long-term liabilities	<u>\$ 49,764,065</u>	<u>\$ 3,204,776</u>	<u>\$ 5,281,522</u>	<u>\$ 47,687,319</u>	<u>\$ 3,900,583</u>

**NOTE 12 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

At year end, interfund balances were as follows:

**Due to/from other funds:** At year end, the Federal Seizures and Forfeitures Fund, a non-major governmental fund, had a negative cash balance of \$29,198. Negative cash on deposit was reduced by interfund borrowing with the General Fund. All interfund balances are expected to be paid within one year.

**Interfund transfers:**

<u>Transfers out</u>	<u>Transfers in</u>		
	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total</u>
General Fund	\$	\$ 1,226,086	\$ 1,226,086
Non-Major Governmental Funds	185,000	457,910	642,910
Water Fund		3,030	3,030
Total	<u>\$ 185,000</u>	<u>\$ 1,687,026</u>	<u>\$ 1,872,026</u>

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, 2016-17. Finally, transfers were made from the Bed Tax Fund to the General Fund to subsidize the operating costs related to the Aquatics Center.

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**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.

**TOWN OF ORO VALLEY, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
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**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
2015-16	\$ 162,701	\$ 2,513,124	\$ 2,426,789	\$ 249,036
2014-15	95,555	1,951,936	1,884,790	162,701

**NOTE 15 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS**

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

The Town reported \$2.6 million of pension expenditures in the governmental funds and \$270,078 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](http://www.azasrs.gov).

**TOWN OF ORO VALLEY, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
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**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 11.47 percent (11.35 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 11.47 percent (10.85 percent for retirement, 0.50 percent for health insurance premium benefit, and 0.12 percent for long-term disability) of the members' annual covered payroll. The Town's contributions to the pension plan for the year ended June 30, 2016 were \$1.3 million.

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
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**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:

		Health Benefit Supplement Fund		Long-Term Disability Fund
Year ending June 30:				
	2016	\$ 59,288	\$	14,229
	2015	65,413		13,304
	2014	61,821		24,728

**Pension Liability.** At June 30, 2016, the Town reported a liability of \$18.6 million for its proportionate share of the net pension liability of the ASRS. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2014, to the measurement date of June 30, 2015. The Town’s proportion of the net pension liability was based on 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, 2015, the Town’s proportion was 0.12 percent, which was an increase of 0.01 from its proportion measured as of June 30, 2014.

**Pension Expense and Deferred Outflows/Inflows of Resources.** For the year ended June 30, 2016, the Town recognized pension expense for ASRS of \$1.1 million 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	\$ 506,886	\$ 973,377
Net difference between projected and actual earnings on pension plan investments		595,305
Changes in proportion and differences between contributions and proportionate share of contributions	773,569	302,657
Contributions subsequent to the measurement date	1,286,552	
Total	\$ 2,567,007	\$ 1,871,339

**TOWN OF ORO VALLEY, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

Year Ending June 30:		
	2017	\$ (275,403)
	2018	(385,372)
	2019	(359,844)
	2020	429,735

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

Actuarial valuation date	June 30, 2014
Actuarial roll forward date	June 30, 2015
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, 2014 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.

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	58%	6.79%
Fixed income	25	3.70
Real estate	10	4.25
Multi-asset	5	3.41
Commodities	2	3.93
Total	<u>100%</u>	

**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:

	<u>1% Decrease (7.0%)</u>	<u>Current Discount Rate (8.0%)</u>	<u>1% Increase (9.0%)</u>
Proportionate share of the net pension liability	\$24,340,301	\$18,575,537	\$14,624,784

**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](http://www.azasrs.gov).

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**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](http://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.

**TOWN OF ORO VALLEY, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**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	

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 15 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS**

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

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

	PSPRS – Police	CORP – Dispatchers
Retirees and beneficiaries	26	4
Inactive, non-retired members	13	3
Active members	95	5
Total	134	12

**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, 2016, are indicated below. Rates are a percentage of active members' annual covered payroll.

	PSPRS – Police	CORP – Dispatchers
Active members – pension	11.65%	7.96%
Town:		
Pension	24.70	22.05
Health insurance	0.37	0.00

**TOWN OF ORO VALLEY, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**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	\$ 1,554,131	\$ 54,083
Health insurance premium benefit:		
Annual OPEB cost	27,214	- 0 -
Contributions made	21,214	- 0 -

**Pension Liability.** At June 30, 2016, the Town reported the following net pension liabilities:

PSPRS – Police	\$ 14,850,954
CORP – Dispatchers	1,157,537

The net pension liabilities were measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability as of June 30, 2015, 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.

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

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 15 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS**

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

	<u>PSPRS</u>	<u>CORP</u>
Actuarial valuation date	June 30, 2015	June 30, 2015
Actuarial cost method	Entry age normal	Entry age normal
Investment rate of return	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, 2015, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2011.

The long-term expected rate of return on PSPRS 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Short-term investments	2%	0.75%
Absolute return	5	4.11
Risk parity	4	5.13
Fixed income	7	2.92
Real assets	8	4.77
GTAA	10	4.38
Private equity	11	9.50
Real estate	10	4.48
Credit opportunities	13	7.08
Non-U.S. equity	14	8.25
U.S. equity	16	6.23
Total	<u>100%</u>	

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 15 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS**

**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.

**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, 2015	\$ 36,122,643	\$ 23,241,057	\$ 12,881,586
Changes for the year:			
Service cost	1,224,807		1,224,807
Interest on the total pension liability	2,842,514		2,842,514
Differences between expected and actual experience in the measurement of the pension liability	1,312,293		1,312,293
Changes of assumptions or other inputs			
Contributions – employer		1,669,125	(1,669,125)
Contributions – employee		794,478	(794,478)
Net investment income		874,562	(874,562)
Benefit payments, including refunds of employee contributions	(1,049,346)	(1,049,346)	
Administrative expense		(21,722)	21,722
Other		93,803	(93,803)
Net changes	4,330,268	2,360,900	1,969,368
Balances at June 30, 2016	\$ 40,452,911	\$ 25,601,957	\$ 14,850,954

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 15 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS**

**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, 2015	\$ 2,269,744	\$ 1,216,956	\$ 1,052,788
Changes for the year:			
Service cost	52,754		52,754
Interest on the total pension liability	174,403		174,403
Differences between expected and actual experience in the measurement of the pension liability	14,554		14,554
Contributions – employer		64,005	(64,005)
Contributions – employee		30,272	(30,272)
Net investment income		45,101	(45,101)
Benefit payments, including refunds of employee contributions	(148,851)	(148,851)	
Administrative expense		(1,490)	1,490
Other changes		(926)	926
Net changes	<u>92,860</u>	<u>(11,889)</u>	<u>104,749</u>
Balances at June 30, 2016	<u>\$ 2,362,604</u>	<u>\$ 1,205,067</u>	<u>\$ 1,157,537</u>

**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
<b>PSPRS – Police:</b>			
Rate	6.85%	7.85%	8.85%
Net pension liability	\$20,371,341	\$14,850,954	\$10,304,836
<b>CORP – Dispatchers:</b>			
Rate	6.85%	7.85%	8.85%
Net pension liability	\$ 1,441,188	\$ 1,157,537	\$ 919,537

**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](http://www.psprs.com).

**TOWN OF ORO VALLEY, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 15 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS**

**Pension Expense.** For the year ended June 30, 2016, the Town’s recognized the following pension expense:

	Pension Expense
PSPRS – Police	\$ 1,930,079
CORP – Dispatchers	132,215

**Pension Deferred Outflows/Inflows of Resources.** At June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
<b>PSPRS – Police:</b>		
Differences between expected and actual experience	\$ 1,098,307	\$ 243,112
Changes of assumptions or other inputs	2,053,861	
Net difference between projected and actual earnings on pension plan investments	126,018	
Contributions subsequent to the measurement date	1,554,131	
Total	\$ 4,832,317	\$ 243,112

	Deferred Outflows of Resources	Deferred Inflows of Resources
<b>CORP – Dispatchers:</b>		
Differences between expected and actual experience	\$ 11,022	\$ 29,411
Changes of assumptions or other inputs	105,258	
Net difference between projected and actual earnings on pension plan investments	2,783	
Contributions subsequent to the measurement date	54,083	
Total	\$ 173,146	\$ 29,411

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 15 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS**

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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:	PSPRS – Police	CORP – Dispatchers
2017	\$ 612,079	\$ 26,208
2018	612,079	26,208
2019	612,078	26,209
2020	838,926	11,027
2021	331,535	- 0 -
Thereafter	28,377	- 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:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual Cost Contributed</u>	<u>Net OPEB Obligation</u>
<b>PSPRS – Police:</b>			
June 30, 2016	\$ 27,214	100%	\$- 0 -
June 30, 2015	88,254	100%	- 0 -
June 30, 2014	75,539	100%	- 0 -
<b>CORP – Dispatchers:</b>			
June 30, 2016	\$ - 0 -	100%	\$- 0 -
June 30, 2015	4,374	100%	- 0 -
June 30, 2014	4,533	100%	- 0 -

**TOWN OF ORO VALLEY, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**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 2016 contribution requirements, are as follows:

	<u>PSPRS</u>	<u>CORP</u>
Actuarial valuation date	June 30, 2014	June 30, 2014
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level percent of pay closed	Level percent of pay closed
Remaining amortization period	22 years for unfunded, 20 years for overfunded	22 years for unfunded, 20 years for overfunded
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%

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**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, 2015, 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, 2015	June 30, 2015
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level percent of pay closed	Level percent of pay closed
Remaining amortization period	21 years for unfunded, 20 years for overfunded	21 years for unfunded, 20 years for overfunded
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 includes inflation at	4%-8% 4%	4%-7.25% 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, 2015.

	PSPRS – Police	CORP – Dispatchers
Actuarial value of assets	\$ 1,062,519	\$ 85,050
Actuarial accrued liability	1,029,811	48,723
Unfunded actuarial accrued asset (liability)	32,708	36,327
Funded ratio	103.18%	174.56%
Annual covered payroll	7,024,821	272,189
Unfunded actuarial accrued asset (liability) as a percentage of covered payroll	0.00%	0.00%

**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, 2016**

	<u>Budgeted Amounts</u>		<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original &amp; Final</u>	<u>Actual</u>	
<b>Revenues:</b>			
Sales taxes	\$ 14,780,654	\$ 13,913,125	\$ (867,529)
Franchise taxes	570,000	621,546	51,546
Intergovernmental	12,519,376	12,732,130	212,754
Licenses, fees & permits	1,764,000	1,872,858	108,858
Fines, forfeitures & penalties	120,000	159,154	39,154
Charges for services	1,873,834	2,100,215	226,381
Investment earnings	94,400	162,310	67,910
Other	135,000	322,640	187,640
<b>Total revenues</b>	<u>31,857,264</u>	<u>31,883,978</u>	<u>26,714</u>
<b>Expenditures:</b>			
Current -			
General government	10,631,382	10,775,836	(144,454)
Public safety	15,204,563	15,182,914	21,649
Transit	1,479,547	1,432,910	46,637
Culture and recreation	3,004,988	3,033,101	(28,113)
Debt service -			
Principal retirement	41,608	41,608	
Interest and fiscal charges	3,845	3,845	
<b>Total expenditures</b>	<u>30,365,933</u>	<u>30,470,214</u>	<u>(104,281)</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>1,491,331</u>	<u>1,413,764</u>	<u>(77,567)</u>
<b>Other financing sources (uses):</b>			
Transfers in	185,000	185,000	
Transfers out	(1,706,810)	(1,226,086)	480,724
<b>Total other financing sources (uses):</b>	<u>(1,521,810)</u>	<u>(1,041,086)</u>	<u>480,724</u>
<b>Changes in fund balances</b>	<u>(30,479)</u>	<u>372,678</u>	<u>403,157</u>
<b>Fund balances, beginning of year</b>		10,151,875	10,151,875
<b>Fund balances (deficits), end of year</b>	<u>\$ (30,479)</u>	<u>\$ 10,524,553</u>	<u>\$ 10,555,032</u>

See accompanying notes to this schedule.

**TOWN OF ORO VALLEY, ARIZONA  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
COMMUNITY CENTER  
YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	<u>Original &amp; Final</u>	<u>Actual</u>	<u>(Negative)</u>
<b>Revenues:</b>			
Sales taxes	\$ 2,000,000	\$ 2,030,750	\$ 30,750
Charges for services	5,400,763	3,721,843	(1,678,920)
Contributions and donations		149,513	149,513
Other		3,946	3,946
<b>Total revenues</b>	<u>7,400,763</u>	<u>5,906,052</u>	<u>(1,494,711)</u>
<b>Expenditures:</b>			
Current -			
Culture and recreation	6,472,097	6,064,651	407,446
Capital outlay	1,720,000	1,542,988	177,012
Debt service -			
Principal retirement	180,109	180,109	
Interest and fiscal charges	24,995	24,995	
<b>Total expenditures</b>	<u>8,397,201</u>	<u>7,812,743</u>	<u>584,458</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(996,438)</u>	<u>(1,906,691)</u>	<u>(910,253)</u>
<b>Other financing sources (uses):</b>			
Capital lease agreements		1,043,214	1,043,214
<b>Total other financing sources (uses):</b>		<u>1,043,214</u>	<u>1,043,214</u>
<b>Changes in fund balances</b>	<u>(996,438)</u>	<u>(863,477)</u>	<u>132,961</u>
<b>Fund balances, beginning of year</b>		1,025,222	1,025,222
<b>Fund balances (deficits), end of year</b>	<u>\$ (996,438)</u>	<u>\$ 161,745</u>	<u>\$ 1,158,183</u>

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**  
**LAST TWO FISCAL YEARS**

	<u>2016</u>	<u>2015</u>
Town's proportion of the net pension liability (asset)	0.12%	0.11%
Town's proportionate share of the net pension liability (asset)	\$ 18,575,537	\$ 16,642,712
Town's covered payroll	\$ 11,826,486	\$ 11,086,887
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	157.07%	150.11%
Plan fiduciary net position as a percentage of the total pension liability	68.35%	69.49%

NOTE: The pension schedules in the required supplementary information are intended to show information for ten years, and additional information will be displayed as it becomes available.

**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**  
**LAST TWO FISCAL YEARS**

	<u>2016</u>	<u>2015</u>
<b>Total pension liability</b>		
Service cost	\$ 1,224,807	\$ 1,157,832
Interest	2,842,514	2,408,825
Changes of benefit terms		444,387
Differences between expected and actual experience	1,312,293	(356,776)
Changes of assumptions		3,014,125
Benefit payments, including refunds	(1,049,346)	(1,304,993)
<b>Net change in total pension liability</b>	4,330,268	5,363,400
<b>Total pension liability—beginning</b>	36,122,643	30,759,243
<b>Total pension liability—ending</b>	<u>\$ 40,452,911</u>	<u>\$ 36,122,643</u>
 <b>Plan fiduciary net position</b>		
Contributions—employer	\$ 1,669,125	\$ 1,211,218
Contributions—employee	794,478	698,036
Net investment income	874,562	2,774,126
Benefit payments, including refunds	(1,049,346)	(1,304,993)
Administrative expense	(21,722)	(22,342)
Other	93,803	(93,142)
<b>Net change in plan fiduciary net position</b>	2,360,900	3,262,903
<b>Plan fiduciary net position—beginning</b>	23,241,057	19,978,154
<b>Plan fiduciary net position—ending</b>	<u>\$ 25,601,957</u>	<u>\$ 23,241,057</u>
 <b>Net pension liability—ending</b>	<u>\$ 14,850,954</u>	<u>\$ 12,881,586</u>
 <b>Plan fiduciary net position as a percentage of the total pension liability</b>	63.29%	64.34%
 <b>Covered payroll</b>	\$ 7,004,292	\$ 6,021,786
 <b>Net pension liability as a percentage of covered payroll</b>	212.03%	213.92%

NOTE: The pension schedules in the required supplementary information are intended to show information for ten years, and additional information will be displayed as it becomes available.

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**  
**LAST TWO FISCAL YEARS**

	<u>2016</u>	<u>2015</u>
<b>Total pension liability</b>		
Service cost	\$ 52,754	\$ 53,985
Interest	174,403	154,443
Changes of benefit terms		29,545
Differences between expected and actual experience	14,554	(48,767)
Changes of assumptions		174,536
Benefit payments, including refunds		
	(148,851)	(68,874)
<b>Net change in total pension liability</b>	<u>92,860</u>	<u>294,868</u>
<b>Total pension liability—beginning</b>	<u>2,269,744</u>	<u>1,974,876</u>
<b>Total pension liability—ending</b>	<u><u>\$ 2,362,604</u></u>	<u><u>\$ 2,269,744</u></u>
<b>Plan fiduciary net position</b>		
Contributions—employer	\$ 64,005	\$ 63,179
Contributions—employee	30,272	32,699
Net investment income	45,101	146,441
Benefit payments, including refunds		
	(148,851)	(68,874)
Administrative expense	(1,490)	(1,151)
Other	(926)	
<b>Net change in plan fiduciary net position</b>	<u>(11,889)</u>	<u>172,294</u>
<b>Plan fiduciary net position—beginning</b>	<u>1,216,956</u>	<u>1,044,662</u>
<b>Plan fiduciary net position—ending</b>	<u><u>\$ 1,205,067</u></u>	<u><u>\$ 1,216,956</u></u>
<b>Net pension liability—ending</b>	<u><u>\$ 1,157,537</u></u>	<u><u>\$ 1,052,788</u></u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	51.01%	53.62%
<b>Covered payroll</b>	\$ 380,303	\$ 387,839
<b>Net pension liability as a percentage of covered payroll</b>	304.37%	271.45%

NOTE: The pension schedules in the required supplementary information are intended to show information for ten years, and additional information will be displayed as it becomes available.

See accompanying notes to this schedule.

**TOWN OF ORO VALLEY, ARIZONA  
SCHEDULE OF CONTRIBUTIONS  
ALL PENSION PLANS  
LAST TWO FISCAL YEARS**

	<u>2016</u>	<u>2015</u>
<b>Arizona State Retirement System:</b>		
Actuarially determined contribution	\$ 1,286,552	\$ 1,207,362
Contributions in relation to the actuarially determined contribution	<u>1,286,552</u>	<u>1,207,362</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>
Town's covered payroll	\$ 11,826,486	\$ 11,086,887
Contributions as a percentage of covered payroll	10.88%	10.89%
 <b>Public Safety Personnel Retirement System - Police:</b>		
Actuarially determined contribution	\$ 1,554,131	\$ 1,354,630
Contributions in relation to the actuarially determined contribution	<u>1,554,131</u>	<u>1,354,630</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>
Town's covered payroll	\$ 7,355,092	\$ 7,004,292
Contributions as a percentage of covered payroll	21.13%	19.34%
 <b>Correctional Officers Retirement Plan -Dispatchers:</b>		
Actuarially determined contribution	\$ 54,083	\$ 64,005
Contributions in relation to the actuarially determined contribution	<u>54,083</u>	<u>64,005</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>
Town's covered-employee payroll	\$ 245,274	\$ 380,303
Contributions as a percentage of covered-employee payroll	22.05%	16.83%

NOTE: The pension schedules in the required supplementary information are intended to show information for ten years, and additional information will be displayed as it becomes available.

**See accompanying notes to this schedule.**

**TOWN OF ORO VALLEY, ARIZONA  
SCHEDULE OF FUNDING PROGRESS  
PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM  
OTHER POSTEMPLOYMENT BENEFITS  
LAST THREE ACTUARIAL VALUATIONS**

<b>Actuarial Valuation Date</b>	<b>Actuarial Valuation of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAAL as a percentage of Covered Payroll</b>
<b>Public Safety Personnel Retirement System - Police:</b>						
2015	\$ 1,062,519	\$ 1,029,811	\$ 32,708	103.18 %	\$ 7,024,821	0.00 %
2014	920,139	937,923	(17,784)	98.10	6,446,142	0.28
2013	-	896,558	(896,558)	-	6,048,143	14.82
<b>Correctional Officers Retirement Plan -Dispatchers:</b>						
2015	\$ 85,050	\$ 48,723	\$ 36,327	174.56 %	\$ 272,189	0.00 %
2014	78,501	67,692	10,809	115.97	410,789	(2.63)
2013	-	66,776	(66,776)	-	405,564	16.47

See accompanying notes to this schedule.

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2016**

**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**

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

**Factors that Affect Trends.** The actuarial assumptions used in the June 30, 2014, valuation for ASRS 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, 2014, actuarial valuation. The study did not include an analysis of the assumed investment rate of return.

The actuarial assumptions used in the June 30, 2015, valuation for PSPRS were based on the results of an actuarial experience study for the 5-year period ended June 30, 2011. The total pension liability used to calculate the net pension liability for PSPRS was determined by an actuarial valuation as of that date. The total pension liability as of June 30, 2015, 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 from 4.5% to 4.0%.

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**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, 2016**

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 2,614,296	\$ 71,454	\$ 4,943,614
Intergovernmental receivable	283,488		648,482
Special assessments		790,000	
<b>Total assets</b>	<u>\$ 2,897,784</u>	<u>\$ 861,454</u>	<u>\$ 5,592,096</u>
 <b><u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u></b>			
Liabilities:			
Accounts payable	\$ 185,602	\$ 2,000	\$ 311,219
Accrued wages and benefits	105,983		
Due to other funds	29,103		
<b>Total liabilities</b>	<u>320,688</u>	<u>2,000</u>	<u>311,219</u>
Deferred inflows of resources:			
Unavailable revenues - special assessments		790,000	
Fund balances (deficits):			
Restricted	85,551	69,454	3,924,168
Committed	2,520,743		15,718
Assigned			1,340,991
Unassigned	(29,198)		
<b>Total fund balances</b>	<u>2,577,096</u>	<u>69,454</u>	<u>5,280,877</u>
 <b>Total liabilities, deferred inflows of resources and fund balances</b>	 <u>\$ 2,897,784</u>	 <u>\$ 861,454</u>	 <u>\$ 5,592,096</u>

Total Non-  
Major  
Governmental  
Fund

\$ 7,629,364  
931,970  
790,000  
\$ 9,351,334

\$ 498,821  
105,983  
29,103  
633,907

790,000

4,079,173  
2,536,461  
1,340,991  
(29,198)  
7,927,427

\$ 9,351,334

**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, 2016**

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<b>Revenues:</b>			
Sales taxes	\$ 1,054,589	\$	\$
Development impact fees			795,471
Special assessments		189,525	
Intergovernmental	3,232,431	33,470	3,490,035
Licenses, fees & permits	43,134		
Fines, forfeitures & penalties	124,316		
Charges for services	134,000		
Investment earnings	66,284	42	9,574
Other	33,066	100,916	44,228
<b>Total revenues</b>	<u>4,687,820</u>	<u>323,953</u>	<u>4,339,308</u>
<b>Expenditures:</b>			
Current -			
General government	650,851		
Public safety	271,113		40,505
Highway and streets	2,754,413		
Capital outlay	1,811,532		4,640,820
Debt service -			
Principal retirement		675,920	
Interest and fiscal charges		307,670	
Bond issuance costs		104,533	
<b>Total expenditures</b>	<u>5,487,909</u>	<u>1,088,123</u>	<u>4,681,325</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(800,089)</u>	<u>(764,170)</u>	<u>(342,017)</u>
<b>Other financing sources (uses):</b>			
Sale of refunding bonds		2,529,250	
Transfers in		658,750	1,028,276
Transfers out	(642,910)		
Payment to bond escrow agent		(2,523,121)	
<b>Total other financing sources (uses):</b>	<u>(642,910)</u>	<u>664,879</u>	<u>1,028,276</u>
<b>Changes in fund balances</b>	<u>(1,442,999)</u>	<u>(99,291)</u>	<u>686,259</u>
<b>Fund balances, beginning of year</b>	4,020,095	168,745	4,594,618
<b>Fund balances, end of year</b>	<u>\$ 2,577,096</u>	<u>\$ 69,454</u>	<u>\$ 5,280,877</u>

Total Non-  
Major  
Governmental  
Funds

---

\$ 1,054,589  
795,471  
189,525  
6,755,936  
43,134  
124,316  
134,000  
75,900  
178,210  

---

9,351,081

650,851  
311,618  
2,754,413  
6,452,352

675,920  
307,670  
104,533

---

11,257,357

---

(1,906,276)

2,529,250  
1,687,026  
(642,910)  
(2,523,121)

---

1,050,245

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(856,031)

8,783,458

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\$ 7,927,427

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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.

**TOWN OF ORO VALLEY, ARIZONA**  
**COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS**  
**JUNE 30, 2016**

	HURF	State Seizures and Forfeitures	Federal Seizures and Forfeitures
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 1,966,536	\$ 39,738	\$
Intergovernmental receivable	283,488		
<b>Total assets</b>	<b>\$ 2,250,024</b>	<b>\$ 39,738</b>	<b>\$</b>
 <b><u>LIABILITIES AND FUND BALANCES</u></b>			
Liabilities:			
Accounts payable	\$ 115,675	\$	\$ 95
Accrued wages and benefits	105,983		
Due to other funds			29,103
<b>Total liabilities</b>	<b>221,658</b>		<b>29,198</b>
Fund balances (deficits):			
Restricted		39,738	
Committed	2,028,366		
Unassigned			(29,198)
<b>Total fund balances</b>	<b>2,028,366</b>	<b>39,738</b>	<b>(29,198)</b>
 <b>Total liabilities and fund balances</b>	 <b>\$ 2,250,024</b>	 <b>\$ 39,738</b>	 <b>\$</b>

<u>Bed Tax</u>	<u>Impound Fee</u>	<u>Totals</u>
\$ 562,201	\$ 45,821	\$ 2,614,296
		283,488
<u>\$ 562,201</u>	<u>\$ 45,821</u>	<u>\$ 2,897,784</u>
\$ 69,824	\$ 8	\$ 185,602
		105,983
		29,103
<u>69,824</u>	<u>8</u>	<u>320,688</u>
492,377	45,813	85,551
		2,520,743
		(29,198)
<u>492,377</u>	<u>45,813</u>	<u>2,577,096</u>
<u>\$ 562,201</u>	<u>\$ 45,821</u>	<u>\$ 2,897,784</u>

**TOWN OF ORO VALLEY, ARIZONA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**NON-MAJOR SPECIAL REVENUE FUNDS**  
**YEAR ENDED JUNE 30, 2016**

	<u>HURF</u>	<u>State Seizures and Forfeitures</u>	<u>Federal Seizures and Forfeitures</u>
<b>Revenues:</b>			
Sales taxes	\$	\$	\$
Intergovernmental	3,232,431		
Licenses, fees & permits	43,134		
Fines, forfeitures & penalties		68,878	9,408
Charges for services	134,000		
Investment earnings	54,746	1,350	284
Other	33,066		
<b>Total revenues</b>	<u>3,497,377</u>	<u>70,228</u>	<u>9,692</u>
<b>Expenditures:</b>			
Current -			
General government			
Public safety		222,550	48,563
Highway and streets	2,754,413		
Capital outlay	1,777,314	31,960	2,258
<b>Total expenditures</b>	<u>4,531,727</u>	<u>254,510</u>	<u>50,821</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(1,034,350)</u>	<u>(184,282)</u>	<u>(41,129)</u>
<b>Other financing sources (uses):</b>			
Transfers out	<u>(228,366)</u>		
<b>Total other financing sources (uses):</b>	<u>(228,366)</u>		
<b>Changes in fund balances</b>	<u>(1,262,716)</u>	<u>(184,282)</u>	<u>(41,129)</u>
<b>Fund balances, beginning of year</b>	3,291,082	224,020	11,931
<b>Fund balances (deficits), end of year</b>	<u>\$ 2,028,366</u>	<u>\$ 39,738</u>	<u>\$ (29,198)</u>

<u>Bed Tax</u>	<u>Impound Fee</u>	<u>Totals</u>
\$ 1,054,589	\$	\$ 1,054,589
		3,232,431
	46,030	43,134
9,904		124,316
		134,000
		66,284
		33,066
<u>1,064,493</u>	<u>46,030</u>	<u>4,687,820</u>
622,199	28,652	650,851
		271,113
		2,754,413
		1,811,532
<u>622,199</u>	<u>28,652</u>	<u>5,487,909</u>
<u>442,294</u>	<u>17,378</u>	<u>(800,089)</u>
<u>(414,544)</u>		<u>(642,910)</u>
<u>(414,544)</u>		<u>(642,910)</u>
<u>27,750</u>	<u>17,378</u>	<u>(1,442,999)</u>
464,627	28,435	4,020,095
<u>\$ 492,377</u>	<u>\$ 45,813</u>	<u>\$ 2,577,096</u>

**TOWN OF ORO VALLEY, ARIZONA**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL**  
**NON-MAJOR SPECIAL REVENUE FUNDS**  
**YEAR ENDED JUNE 30, 2016**

	HURF		Variance - Positive (Negative)
	Budget	Actual	
<b>Revenues:</b>			
Sales taxes	\$	\$	\$
Intergovernmental	2,985,464	3,232,431	246,967
Licenses, fees & permits	51,000	43,134	(7,866)
Fines, forfeitures & penalties			
Charges for services	134,000	134,000	
Investment earnings	22,400	54,746	32,346
Other	10,000	33,066	23,066
<b>Total revenues</b>	<u>3,202,864</u>	<u>3,497,377</u>	<u>294,513</u>
<b>Expenditures:</b>			
Current -			
General government			
Public safety			
Highway and streets	3,828,535	2,754,413	1,074,122
Capital outlay	1,844,250	1,777,314	66,936
<b>Total expenditures</b>	<u>5,672,785</u>	<u>4,531,727</u>	<u>1,141,058</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(2,469,921)</u>	<u>(1,034,350)</u>	<u>1,435,571</u>
<b>Other financing sources (uses):</b>			
Transfers out	(228,366)	(228,366)	
<b>Total other financing sources (uses):</b>	<u>(228,366)</u>	<u>(228,366)</u>	
<b>Changes in fund balances</b>	<u>(2,698,287)</u>	<u>(1,262,716)</u>	<u>1,435,571</u>
<b>Fund balances, beginning of year</b>		3,291,082	3,291,082
<b>Fund balances (deficits), end of year</b>	<u>\$ (2,698,287)</u>	<u>\$ 2,028,366</u>	<u>\$ 4,726,653</u>

State Seizures and Forfeitures			Federal Seizures and Forfeitures		
<u>Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
\$	\$	\$	\$	\$	\$
175,000	68,878	(106,122)	250,000	9,408	(240,592)
	1,350	1,350		284	284
<u>175,000</u>	<u>70,228</u>	<u>(104,772)</u>	<u>250,000</u>	<u>9,692</u>	<u>(240,308)</u>
387,846	222,550	165,296	287,609	48,563	239,046
	31,960	(31,960)		2,258	(2,258)
<u>387,846</u>	<u>254,510</u>	<u>133,336</u>	<u>287,609</u>	<u>50,821</u>	<u>236,788</u>
<u>(212,846)</u>	<u>(184,282)</u>	<u>28,564</u>	<u>(37,609)</u>	<u>(41,129)</u>	<u>(3,520)</u>
<u>(212,846)</u>	<u>(184,282)</u>	<u>28,564</u>	<u>(37,609)</u>	<u>(41,129)</u>	<u>(3,520)</u>
	224,020	224,020		11,931	11,931
<u>\$ (212,846)</u>	<u>\$ 39,738</u>	<u>\$ 252,584</u>	<u>\$ (37,609)</u>	<u>\$ (29,198)</u>	<u>\$ 8,411</u>

(Continued)

**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, 2016**

	Bed Tax		
	Budget	Actual	Variance - Positive (Negative)
<b>Revenues:</b>			
Sales taxes	\$ 945,000	\$ 1,054,589	\$ 109,589
Intergovernmental			
Licenses, fees & permits			
Fines, forfeitures & penalties			
Charges for services			
Investment earnings	1,800	9,904	8,104
Other			
<b>Total revenues</b>	946,800	1,064,493	117,693
<b>Expenditures:</b>			
Current -			
General government	950,226	622,199	328,027
Public safety			
Highway and streets			
Capital outlay			
<b>Total expenditures</b>	950,226	622,199	328,027
<b>Excess (deficiency) of revenues over expenditures</b>	(3,426)	442,294	445,720
<b>Other financing sources (uses):</b>			
Transfers out	414,544	(414,544)	(829,088)
<b>Total other financing sources (uses):</b>	414,544	(414,544)	(829,088)
<b>Changes in fund balances</b>	411,118	27,750	(383,368)
<b>Fund balances, beginning of year</b>		464,627	464,627
<b>Fund balances (deficits), end of year</b>	\$ 411,118	\$ 492,377	\$ 81,259

Impound Fee			Totals		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$	\$	\$ 945,000	\$ 1,054,589	\$ 109,589
			2,985,464	3,232,431	246,967
			51,000	43,134	(7,866)
34,000	46,030	12,030	459,000	124,316	(334,684)
			134,000	134,000	
			24,200	66,284	42,084
			10,000	33,066	23,066
<u>34,000</u>	<u>46,030</u>	<u>12,030</u>	<u>4,608,664</u>	<u>4,687,820</u>	<u>79,156</u>
50,736	28,652	22,084	1,000,962	650,851	350,111
			675,455	271,113	404,342
			3,828,535	2,754,413	1,074,122
			1,844,250	1,811,532	32,718
<u>50,736</u>	<u>28,652</u>	<u>22,084</u>	<u>7,349,202</u>	<u>5,487,909</u>	<u>1,861,293</u>
<u>(16,736)</u>	<u>17,378</u>	<u>34,114</u>	<u>(2,740,538)</u>	<u>(800,089)</u>	<u>1,940,449</u>
			186,178	(642,910)	(829,088)
			186,178	(642,910)	(829,088)
<u>(16,736)</u>	<u>17,378</u>	<u>34,114</u>	<u>(2,554,360)</u>	<u>(1,442,999)</u>	<u>1,111,361</u>
	28,435	28,435		4,020,095	4,020,095
<u>\$ (16,736)</u>	<u>\$ 45,813</u>	<u>\$ 62,549</u>	<u>\$ (2,554,360)</u>	<u>\$ 2,577,096</u>	<u>\$ 5,131,456</u>

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## **MUNICIPAL DEBT SERVICE FUNDS**

**Municipal Debt Service** - to account for the payments of debt service on the Series 2005 Excise Tax Revenue Obligations, the Series 2007 MPC Excise Tax Revenue Refunding Bonds, the Series 2010 Excise Tax Revenue Clean Renewable Energy Bonds (CREBs), the Series 2012 Excise Tax Revenue Obligations, and the Series 2015 Excise Tax Revenue Refunding 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, 2016**

	<u>Municipal Debt Service</u>	<u>Oracle Road Debt Service</u>	<u>Totals</u>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 64,486	\$ 6,968	\$ 71,454
Special assessments		790,000	790,000
<b>Total assets</b>	<u>\$ 64,486</u>	<u>\$ 796,968</u>	<u>\$ 861,454</u>
<b><u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u></b>			
Liabilities:			
Accounts payable	\$ 2,000	\$	\$ 2,000
<b>Total liabilities</b>	<u>2,000</u>	<u></u>	<u>2,000</u>
Deferred inflows of resources:			
Unavailable revenues - special assessments		790,000	790,000
Fund balances:			
Restricted	62,486	6,968	69,454
<b>Total fund balances</b>	<u>62,486</u>	<u>6,968</u>	<u>69,454</u>
 <b>Total liabilities, deferred inflows of resources and fund balances</b>	 <u>\$ 64,486</u>	 <u>\$ 796,968</u>	 <u>\$ 861,454</u>

**TOWN OF ORO VALLEY, ARIZONA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**NON-MAJOR DEBT SERVICE FUNDS**  
**YEAR ENDED JUNE 30, 2016**

	Municipal Debt Service	Oracle Road Debt Service	Totals
<b>Revenues:</b>			
Special assessments	\$	\$ 189,525	\$ 189,525
Intergovernmental	33,470		33,470
Investment earnings	42		42
Other	100,916		100,916
<b>Total revenues</b>	134,428	189,525	323,953
<b>Expenditures:</b>			
Debt service -			
Principal retirement	530,920	145,000	675,920
Interest and fiscal charges	265,167	42,503	307,670
Bond issuance costs	104,533		104,533
<b>Total expenditures</b>	900,620	187,503	1,088,123
<b>Excess (deficiency) of revenues over expenditures</b>	(766,192)	2,022	(764,170)
<b>Other financing sources (uses):</b>			
Sale of refunding bonds	2,529,250		2,529,250
Transfers in	655,750	3,000	658,750
Payment to bond escrow agent	(2,523,121)		(2,523,121)
<b>Total other financing sources (uses):</b>	661,879	3,000	664,879
<b>Changes in fund balances</b>	(104,313)	5,022	(99,291)
<b>Fund balances, beginning of year</b>	166,799	1,946	168,745
<b>Fund balances, end of year</b>	\$ 62,486	\$ 6,968	\$ 69,454

**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, 2016**

	Municipal Debt Service		
	Budget	Actual	Variance - Positive (Negative)
<b>Revenues:</b>			
Special assessments	\$	\$	\$
Intergovernmental	58,238	33,470	(24,768)
Investment earnings		42	42
Other	90,000	100,916	10,916
<b>Total revenues</b>	<u>148,238</u>	<u>134,428</u>	<u>(13,810)</u>
<b>Expenditures:</b>			
Debt service -			
Principal retirement	530,920	530,920	
Interest and fiscal charges	265,167	265,167	
Bond issuance costs	165,129	104,533	60,596
<b>Total expenditures</b>	<u>961,216</u>	<u>900,620</u>	<u>60,596</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(812,978)</u>	<u>(766,192)</u>	<u>46,786</u>
<b>Other financing sources (uses):</b>			
Sale of refunding bonds		2,529,250	2,529,250
Transfers in	655,750	655,750	
Payment to bond escrow agent		(2,523,121)	(2,523,121)
<b>Total other financing sources (uses):</b>	<u>655,750</u>	<u>661,879</u>	<u>6,129</u>
<b>Changes in fund balances</b>	<u>(157,228)</u>	<u>(104,313)</u>	<u>52,915</u>
<b>Fund balances, beginning of year</b>		166,799	166,799
<b>Fund balances (deficits), end of year</b>	<u>\$ (157,228)</u>	<u>\$ 62,486</u>	<u>\$ 219,714</u>

Oracle Road Debt Service			Totals		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$ 175,153	\$ 189,525	\$ 14,372	\$ 175,153	\$ 189,525	\$ 14,372
			58,238	33,470	(24,768)
				42	42
			90,000	100,916	10,916
<u>175,153</u>	<u>189,525</u>	<u>14,372</u>	<u>323,391</u>	<u>323,953</u>	<u>562</u>
145,000	145,000		675,920	675,920	
33,384	42,503	(9,119)	298,551	307,670	(9,119)
			165,129	104,533	60,596
<u>178,384</u>	<u>187,503</u>	<u>(9,119)</u>	<u>1,139,600</u>	<u>1,088,123</u>	<u>51,477</u>
(3,231)	2,022	5,253	(816,209)	(764,170)	52,039
				2,529,250	2,529,250
3,000	3,000		658,750	658,750	
				(2,523,121)	(2,523,121)
<u>3,000</u>	<u>3,000</u>		<u>658,750</u>	<u>664,879</u>	<u>6,129</u>
(231)	5,022	5,253	(157,459)	(99,291)	58,168
	1,946	1,946		168,745	168,745
<u>\$ (231)</u>	<u>\$ 6,968</u>	<u>\$ 7,199</u>	<u>\$ (157,459)</u>	<u>\$ 69,454</u>	<u>\$ 226,913</u>

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## **CAPITAL PROJECTS FUNDS**

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

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

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

**Townwide Facilities Projects** – accounts for revenues dedicated to improvements to Town parks.

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

**PAG/RTA** - to account for revenues dedicated to Town improvements funded through Pima Association of Governments and the Regional Transportation Authority.

**TOWN OF ORO VALLEY, ARIZONA**  
**COMBINING BALANCE SHEET - NON-MAJOR CAPITAL PROJECTS FUNDS**  
**JUNE 30, 2016**

	Townwide Roadway Development Impact Fees	General Impact Fees	Townwide Facilities Projects
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 3,215,815	\$ 719,683	\$ 15,718
Intergovernmental receivable			
<b>Total assets</b>	<b>\$ 3,215,815</b>	<b>\$ 719,683</b>	<b>\$ 15,718</b>
 <b><u>LIABILITIES AND FUND BALANCES</u></b>			
Liabilities:			
Accounts payable	\$ 740	\$ 10,590	\$
<b>Total liabilities</b>	<b>740</b>	<b>10,590</b>	
Fund balances:			
Restricted	3,215,075	709,093	
Committed			15,718
Assigned			
<b>Total fund balances</b>	<b>3,215,075</b>	<b>709,093</b>	<b>15,718</b>
 <b>Total liabilities and fund balances</b>	<b>\$ 3,215,815</b>	<b>\$ 719,683</b>	<b>\$ 15,718</b>

<u>General Government CIP</u>	<u>PAG/RTA</u>	<u>Totals</u>
\$ 829,066	\$ 163,332	\$ 4,943,614
	648,482	648,482
<u>\$ 829,066</u>	<u>\$ 811,814</u>	<u>\$ 5,592,096</u>
\$ 110,057	\$ 189,832	\$ 311,219
<u>110,057</u>	<u>189,832</u>	<u>311,219</u>
		3,924,168
		15,718
719,009	621,982	1,340,991
<u>719,009</u>	<u>621,982</u>	<u>5,280,877</u>
<u>\$ 829,066</u>	<u>\$ 811,814</u>	<u>\$ 5,592,096</u>

**TOWN OF ORO VALLEY, ARIZONA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**NON-MAJOR CAPITAL PROJECTS FUNDS**  
**YEAR ENDED JUNE 30, 2016**

	Townwide Roadway Development Impact Fees	General Impact Fees	Townwide Facilities Projects
<b>Revenues:</b>			
Development impact fees	\$ 531,697	\$ 263,774	\$
Intergovernmental			
Investment earnings	8,120	1,454	
Other			21,728
<b>Total revenues</b>	<u>539,817</u>	<u>265,228</u>	<u>21,728</u>
<b>Expenditures:</b>			
Current -			
Public safety			
Capital outlay	2,594	45,118	12,200
<b>Total expenditures</b>	<u>2,594</u>	<u>45,118</u>	<u>12,200</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>537,223</u>	<u>220,110</u>	<u>9,528</u>
<b>Other financing sources (uses):</b>			
Transfers in			
<b>Total other financing sources (uses):</b>			
<b>Changes in fund balances</b>	<u>537,223</u>	<u>220,110</u>	<u>9,528</u>
<b>Fund balances, beginning of year</b>	2,677,852	488,983	6,190
<b>Fund balances, end of year</b>	<u>\$ 3,215,075</u>	<u>\$ 709,093</u>	<u>\$ 15,718</u>

<u>General Government CIP</u>	<u>PAG/RTA</u>	<u>Totals</u>
\$	\$	\$
	3,490,035	795,471
		3,490,035
	22,500	9,574
	<u>3,512,535</u>	<u>44,228</u>
		<u>4,339,308</u>
	40,505	40,505
<u>1,730,860</u>	<u>2,850,048</u>	<u>4,640,820</u>
<u>1,730,860</u>	<u>2,890,553</u>	<u>4,681,325</u>
<u>(1,730,860)</u>	<u>621,982</u>	<u>(342,017)</u>
<u>1,028,276</u>		<u>1,028,276</u>
<u>1,028,276</u>		<u>1,028,276</u>
<u>(702,584)</u>	<u>621,982</u>	<u>686,259</u>
1,421,593		4,594,618
<u>\$ 719,009</u>	<u>\$ 621,982</u>	<u>\$ 5,280,877</u>

**TOWN OF ORO VALLEY, ARIZONA**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL**  
**NON-MAJOR CAPITAL PROJECTS FUNDS**  
**YEAR ENDED JUNE 30, 2016**

	Townwide Roadway Development Impact Fees		
	Budget	Actual	Variance - Positive (Negative)
<b>Revenues:</b>			
Development impact fees	\$ 424,532	\$ 531,697	\$ 107,165
Intergovernmental			
Investment earnings	2,000	8,120	6,120
Other			
<b>Total revenues</b>	426,532	539,817	113,285
<b>Expenditures:</b>			
Current -			
Public safety			
Capital outlay	3,143,049	2,594	3,140,455
<b>Total expenditures</b>	3,143,049	2,594	3,140,455
<b>Excess (deficiency) of revenues over expenditures</b>	(2,716,517)	537,223	3,253,740
<b>Other financing sources (uses):</b>			
Transfers in			
Transfers out	(460,696)		460,696
<b>Total other financing sources (uses):</b>	(460,696)		460,696
<b>Changes in fund balances</b>	(3,177,213)	537,223	3,714,436
<b>Fund balances, beginning of year</b>		2,677,852	2,677,852
<b>Fund balances (deficits), end of year</b>	\$ (3,177,213)	\$ 3,215,075	\$ 6,392,288

General Impact Fees			Townwide Facilities Projects		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$ 268,117	\$ 263,774	\$ (4,343)	\$	\$	\$
	1,454	1,454			
<u>268,117</u>	<u>265,228</u>	<u>(2,889)</u>		<u>21,728</u>	<u>21,728</u>
				<u>21,728</u>	<u>21,728</u>
<u>757,242</u>	<u>45,118</u>	<u>712,124</u>	<u>143,246</u>	<u>12,200</u>	<u>131,046</u>
<u>757,242</u>	<u>45,118</u>	<u>712,124</u>	<u>143,246</u>	<u>12,200</u>	<u>131,046</u>
<u>(489,125)</u>	<u>220,110</u>	<u>709,235</u>	<u>(143,246)</u>	<u>9,528</u>	<u>152,774</u>
<u>(489,125)</u>	<u>220,110</u>	<u>709,235</u>	<u>(143,246)</u>	<u>9,528</u>	<u>152,774</u>
	488,983	488,983		6,190	6,190
<u>\$ (489,125)</u>	<u>\$ 709,093</u>	<u>\$ 1,198,218</u>	<u>\$ (143,246)</u>	<u>\$ 15,718</u>	<u>\$ 158,964</u>

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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, 2016**

	General Government CIP		Variance - Positive (Negative)
	Budget	Actual	
<b>Revenues:</b>			
Development impact fees	\$	\$	\$
Intergovernmental	81,000		(81,000)
Investment earnings			
Other			
<b>Total revenues</b>	<u>81,000</u>	<u></u>	<u>(81,000)</u>
<b>Expenditures:</b>			
Current -			
Public safety			
Capital outlay	3,035,000	1,730,860	1,304,140
<b>Total expenditures</b>	<u>3,035,000</u>	<u>1,730,860</u>	<u>1,304,140</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(2,954,000)</u>	<u>(1,730,860)</u>	<u>1,223,140</u>
<b>Other financing sources (uses):</b>			
Transfers in	1,539,000	1,028,276	(510,724)
Transfers out			
<b>Total other financing sources (uses):</b>	<u>1,539,000</u>	<u>1,028,276</u>	<u>(510,724)</u>
<b>Changes in fund balances</b>	<u>(1,415,000)</u>	<u>(702,584)</u>	<u>712,416</u>
<b>Fund balances, beginning of year</b>		1,421,593	1,421,593
<b>Fund balances (deficits), end of year</b>	<u>\$ (1,415,000)</u>	<u>\$ 719,009</u>	<u>\$ 2,134,009</u>

PAG/RTA			Totals		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$ 10,414,000	\$ 3,490,035	\$ (6,923,965)	\$ 692,649	\$ 795,471	\$ 102,822
22,500		(22,500)	10,495,000	3,490,035	(7,004,965)
500	22,500	22,000	24,500	9,574	(14,926)
<u>10,437,000</u>	<u>3,512,535</u>	<u>(6,924,465)</u>	<u>11,212,649</u>	<u>4,339,308</u>	<u>(6,873,341)</u>
	40,505	(40,505)		40,505	(40,505)
10,897,696	2,850,048	8,047,648	17,976,233	4,640,820	13,335,413
<u>10,897,696</u>	<u>2,890,553</u>	<u>8,007,143</u>	<u>17,976,233</u>	<u>4,681,325</u>	<u>13,294,908</u>
(460,696)	621,982	1,082,678	(6,763,584)	(342,017)	6,421,567
460,696		(460,696)	1,999,696	1,028,276	(971,420)
<u>460,696</u>		<u>(460,696)</u>	<u>(460,696)</u>	<u>1,028,276</u>	<u>460,696</u>
	621,982	621,982	(5,224,584)	686,259	5,910,843
				4,594,618	4,594,618
<u>\$</u>	<u>\$ 621,982</u>	<u>\$ 621,982</u>	<u>\$ (5,224,584)</u>	<u>\$ 5,280,877</u>	<u>\$ 10,505,461</u>

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## **INTERNAL SERVICE FUNDS**

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

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

**TOWN OF ORO VALLEY, ARIZONA  
 COMBINING STATEMENT OF NET POSITION -  
 ALL INTERNAL SERVICE FUNDS  
 JUNE 30, 2016**

	<u>Fleet Maintenance</u>	<u>Self Insurance</u>	<u>Totals</u>
<b><u>ASSETS</u></b>			
Current assets:			
Cash and cash equivalents	\$ 569,439	\$ 236,441	\$ 805,880
Accounts receivable		75,068	75,068
Total current assets	<u>569,439</u>	<u>311,509</u>	<u>880,948</u>
<b>Total assets</b>	<u>569,439</u>	<u>311,509</u>	<u>880,948</u>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>			
Pension plan items	<u>13,911</u>		<u>13,911</u>
<b><u>LIABILITIES</u></b>			
Current liabilities:			
Accounts payable	43,346	31,273	74,619
Claims payable		249,036	249,036
Total current liabilities	<u>43,346</u>	<u>280,309</u>	<u>323,655</u>
Noncurrent liabilities:			
Non-current portion of long-term obligations	<u>99,606</u>		<u>99,606</u>
Total noncurrent liabilities	<u>99,606</u>		<u>99,606</u>
<b>Total liabilities</b>	<u>142,952</u>	<u>280,309</u>	<u>423,261</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Pension plan items	<u>10,141</u>		<u>10,141</u>
<b><u>NET POSITION</u></b>			
Unrestricted	<u>430,257</u>	<u>31,200</u>	<u>461,457</u>
<b>Total net position</b>	<u>\$ 430,257</u>	<u>\$ 31,200</u>	<u>\$ 461,457</u>

**TOWN OF ORO VALLEY, ARIZONA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -**  
**ALL INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Fleet Maintenance</u>	<u>Self Insurance</u>	<u>Totals</u>
<b>Operating revenues:</b>			
Charges for services	\$ 1,363,351	\$	\$ 1,363,351
Other	77,074		77,074
Self insurance premiums		3,015,655	3,015,655
<b>Total operating revenues</b>	<u>1,440,425</u>	<u>3,015,655</u>	<u>4,456,080</u>
<b>Operating expenses:</b>			
Costs of sales and services	1,171,192	25,273	1,196,465
Claims payments		2,513,124	2,513,124
Administrative fees		57,000	57,000
Reinsurance premiums		633,220	633,220
<b>Total operating expenses</b>	<u>1,171,192</u>	<u>3,228,617</u>	<u>4,399,809</u>
<b>Operating income (loss)</b>	<u>269,233</u>	<u>(212,962)</u>	<u>56,271</u>
<b>Changes in net position</b>	<u>269,233</u>	<u>(212,962)</u>	<u>56,271</u>
<b>Total net position, beginning of year</b>	161,024	244,162	405,186
<b>Total net position, end of year</b>	<u>\$ 430,257</u>	<u>\$ 31,200</u>	<u>\$ 461,457</u>

**TOWN OF ORO VALLEY, ARIZONA  
COMBINING STATEMENT OF CASH FLOWS  
ALL INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016**

	Fleet Maintenance	Self Insurance	Total
<b><u>Increase (Decrease) in Cash and Cash Equivalents</u></b>			
Cash flows from operating activities:			
Cash received from customers	\$ 1,440,425		\$ 1,440,425
Cash received from premiums		2,940,587	2,940,587
Cash payments to suppliers for goods and services	(1,104,811)	(623,989)	(1,728,800)
Cash payments to employees for services	(65,097)		(65,097)
Cash payments for claims		(2,513,124)	(2,513,124)
<b>Net cash provided by (used for) operating activities</b>	<b>270,517</b>	<b>(196,526)</b>	<b>73,991</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>270,517</b>	<b>(196,526)</b>	<b>73,991</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>298,922</b>	<b>432,967</b>	<b>731,889</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 569,439</b>	<b>\$ 236,441</b>	<b>\$ 805,880</b>
 <b><u>Reconciliation of Operating Income (Loss) to  Net Cash Provided by (Used for) Operating Activities</u></b>			
<b>Operating income (loss)</b>	<b>\$ 269,233</b>	<b>\$ (212,962)</b>	<b>\$ 56,271</b>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Change in assets and liabilities:			
Accounts receivable		(75,068)	(75,068)
Accounts payable	2,126	5,169	7,295
Claims payable		86,335	86,335
Pension items	(842)		(842)
<b>Total adjustments</b>	<b>1,284</b>	<b>16,436</b>	<b>17,720</b>
<b>Net cash provided by (used for) operating activities</b>	<b>\$ 270,517</b>	<b>\$ (196,526)</b>	<b>\$ 73,991</b>

## 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.

**Note:** For locally assessed property (i.e., excluding mines, utilities, etc.) Proposition 117, approved by voters in 2012, amended the Arizona Constitution to require that all property taxes after fiscal year 2014-15 be based upon property values limited to five percent in annual growth. The aggregate assessed value of all taxable properties within a taxing jurisdiction (i.e., after applying assessment ratios based on the use of a property), including property values with a growth limit, is currently referred to as net limited assessed value and formerly as primary assessed value. In accordance with Proposition 117, this value is used for all taxing purposes beginning fiscal year 2015-16. Aggregate assessed value without a growth limit is currently referred to as net full cash assessed value and formerly as secondary assessed value. This remains the value utilized for determining debt capacity limits.

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

	2012	2013	2014	2015	2016
Governmental activities					
Net investment in capital assets	\$ 135,336,862	\$ 134,512,094	\$ 133,714,821	\$ 133,800,218	\$ 132,419,826
Restricted	11,454,390	3,730,312	4,555,138	3,599,966	4,653,905
Unrestricted	10,808,596	18,901,112	18,430,146	(9,493,907)	(10,883,206)
Total governmental activities net position	<u>\$ 157,599,848</u>	<u>\$ 157,143,518</u>	<u>\$ 156,700,105</u>	<u>\$ 127,906,277</u>	<u>\$ 126,190,525</u>
Business-type activities					
Net investment in capital assets	\$ 45,669,488	\$ 48,802,267	\$ 52,775,561	\$ 54,858,448	\$ 61,261,271
Restricted					
Unrestricted	19,067,780	19,501,676	21,541,202	20,092,694	19,504,748
Total business-type activities net position	<u>\$ 64,737,268</u>	<u>\$ 68,303,943</u>	<u>\$ 74,316,763</u>	<u>\$ 74,951,142</u>	<u>\$ 80,766,019</u>
Primary government					
Net investment in capital assets	\$ 181,006,350	\$ 183,314,361	\$ 186,490,382	\$ 188,658,666	\$ 193,681,097
Restricted	11,454,390	3,730,312	4,555,138	3,599,966	4,653,905
Unrestricted	29,876,376	38,402,788	39,971,348	10,598,787	8,621,542
Total primary government net position	<u>\$ 222,337,116</u>	<u>\$ 225,447,461</u>	<u>\$ 231,016,868</u>	<u>\$ 202,857,419</u>	<u>\$ 206,956,544</u>
Governmental activities	2007	2008	2009	2010	2011
Net investment in capital assets					
Restricted					
Unrestricted	\$ 106,644,847	\$ 115,177,344	\$ 120,515,962	\$ 127,712,057	\$ 132,956,156
Restricted	8,326,731	14,072,781	7,537,331	9,580,610	9,048,505
Unrestricted	23,571,109	26,698,611	26,135,593	15,979,093	10,588,160
Total governmental activities net position	<u>23,571,109</u>	<u>26,698,611</u>	<u>26,135,593</u>	<u>15,979,093</u>	<u>10,588,160</u>
Business-type activities	<u>\$ 138,542,687</u>	<u>\$ 155,948,736</u>	<u>\$ 154,188,886</u>	<u>\$ 153,271,760</u>	<u>\$ 152,592,821</u>
Net investment in capital assets					
Restricted					
Unrestricted	\$ 15,534,043	\$ 21,274,023	\$ 28,212,750	\$ 31,383,715	\$ 40,005,568
Total business-type activities net position	<u>23,252,747</u>	<u>24,651,948</u>	<u>24,393,984</u>	<u>24,404,427</u>	<u>20,371,225</u>
Primary government	<u>\$ 38,786,790</u>	<u>\$ 45,925,971</u>	<u>\$ 52,606,734</u>	<u>\$ 55,788,142</u>	<u>\$ 60,376,793</u>
Net investment in capital assets					
Restricted					
Unrestricted	\$ 122,178,890	\$ 136,451,367	\$ 148,728,712	\$ 159,095,772	\$ 172,961,724
Restricted	8,326,731	14,072,781	7,537,331	9,580,610	9,048,505
Unrestricted	46,823,856	51,350,559	50,529,577	40,383,520	30,959,385
Total primary government net position	<u>\$ 177,329,477</u>	<u>\$ 201,874,707</u>	<u>\$ 206,795,620</u>	<u>\$ 209,059,902</u>	<u>\$ 212,969,614</u>

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)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Expenses</b>										
Governmental activities:										
General government	\$ 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	\$ 11,888,794
Public Safety	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	16,123,500
Highways and streets	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	9,089,318
Transit								1,275,093	1,404,646	1,432,910
Culture and recreation	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	9,695,639
Interest on long-term debt	996,336	987,074	954,645	1,767,155	430,570	654,262	522,917	656,260	439,027	494,732
Total governmental activities/expenses	<u>32,010,842</u>	<u>35,353,035</u>	<u>39,198,859</u>	<u>38,329,439</u>	<u>35,098,562</u>	<u>35,532,543</u>	<u>35,192,909</u>	<u>38,890,007</u>	<u>43,937,173</u>	<u>48,724,893</u>
Business-type activities:										
Water	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	14,406,074
Stormwater drainage	74,235	177,673	494,166	486,994	586,006	636,966	983,975	749,038	854,510	917,898
Total business-type activities expenses	<u>11,521,193</u>	<u>12,853,948</u>	<u>13,989,290</u>	<u>13,317,131</u>	<u>13,113,857</u>	<u>12,621,795</u>	<u>14,031,348</u>	<u>14,321,715</u>	<u>14,463,441</u>	<u>15,323,972</u>
Total primary government expenses	<u>\$ 43,532,035</u>	<u>\$ 48,206,983</u>	<u>\$ 53,188,149</u>	<u>\$ 51,646,570</u>	<u>\$ 48,212,419</u>	<u>\$ 48,154,338</u>	<u>\$ 49,224,257</u>	<u>\$ 53,211,722</u>	<u>\$ 58,400,614</u>	<u>\$ 64,048,865</u>
<b>Program Revenues</b>										
Governmental activities:										
Fees, Fines and Charges for Services:										
General government	\$ 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	\$ 4,096,927
Public Safety	229,546	69,256	83,279	28,785	33,976	33,109	45,346	35,976	29,097	168,808
Highways and streets	122,124	211,088	119,847	137,436	400,977	329,420	1,052,581	546,066	496,098	764,397
Transit								71,078	72,783	88,684
Culture and recreation	121,358	73,149	110,857	119,273	126,290	82,832	169,965	435,354	1,108,734	4,373,693
Operating grants and contributions	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	5,503,530
Capital grants and contributions	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	3,602,656
Total governmental activities program revenues	<u>16,980,571</u>	<u>20,067,385</u>	<u>10,324,105</u>	<u>13,789,961</u>	<u>16,883,947</u>	<u>15,879,794</u>	<u>13,246,370</u>	<u>12,693,076</u>	<u>12,750,194</u>	<u>18,598,695</u>
Business-type activities:										
Charges for services:										
Water	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	16,739,580
Stormwater Utility	125	357,602	746,655	927,238	888,391	752,212	813,400	759,428	771,594	828,258
Operating grants and contributions										35,000
Capital grants and contributions	3,066,170	3,567,083	3,697,229	362,273	1,655,307	245,607	48,871	179,675	1,979,037	3,334,372
Total business-type activities program revenues	<u>16,683,631</u>	<u>20,728,635</u>	<u>20,541,970</u>	<u>16,426,295</u>	<u>17,662,763</u>	<u>16,815,164</u>	<u>17,594,871</u>	<u>20,225,897</u>	<u>18,839,312</u>	<u>20,937,210</u>
Total primary government program revenues	<u>\$ 33,664,202</u>	<u>\$ 40,796,020</u>	<u>\$ 30,866,075</u>	<u>\$ 30,216,256</u>	<u>\$ 34,546,710</u>	<u>\$ 32,694,958</u>	<u>\$ 30,841,241</u>	<u>\$ 32,918,973</u>	<u>\$ 31,589,506</u>	<u>\$ 39,535,905</u>

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Net (Expense)/Revenues</b>										
Governmental activities	\$ (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)	\$ (30,126,198)
Business-type activities	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	5,613,238
Total primary government net expenses	<u>\$ (9,867,833)</u>	<u>\$ (7,410,963)</u>	<u>\$ (22,322,074)</u>	<u>\$ (21,430,314)</u>	<u>\$ (13,665,709)</u>	<u>\$ (15,459,380)</u>	<u>\$ (18,383,016)</u>	<u>\$ (20,292,749)</u>	<u>\$ (26,811,108)</u>	<u>\$ (24,512,960)</u>
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Taxes:										
Sales taxes	\$ 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	\$ 16,998,464
Franchise taxes	478,175	516,652	506,685	509,285	514,814	525,427	539,477	571,731	582,064	621,546
Impact fees*	1,038,217	910,741	441,020	584,113						
Unrestricted state revenue sharing	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	10,549,196
Unrestricted state sales tax revenue sharing	3,744,864	3,621,016	3,134,789	2,891,386	2,569,666	3,204,612				
Unrestricted auto lieu tax revenue sharing	1,726,149	1,738,875	1,655,875	1,484,125	1,318,989	1,479,094				
Special assessments										
Investment earnings (loss)	1,471,641	1,590,654	113,995	95,625	39,124	189,606	265,787	255,702	216,175	238,210
Special item - Capital asset conveyance							(2,606,804)			
Transfers	69,813	1,600,000					2,319	3,178	3,119	3,030
Total governmental activities	<u>29,875,794</u>	<u>32,691,699</u>	<u>27,114,904</u>	<u>23,622,352</u>	<u>20,535,676</u>	<u>21,659,776</u>	<u>21,490,209</u>	<u>25,753,518</u>	<u>27,346,981</u>	<u>28,410,446</u>
Business-type activities:										
Investment earnings (loss)	1,163,837	864,494	128,083	72,244	39,745	167,106	5,471	111,816	124,887	204,669
Transfers	(69,813)	(1,600,000)					(2,319)	(3,178)	(3,119)	(3,030)
Total business-type activities	<u>1,094,024</u>	<u>(735,506)</u>	<u>128,083</u>	<u>72,244</u>	<u>39,745</u>	<u>167,106</u>	<u>3,152</u>	<u>108,638</u>	<u>121,768</u>	<u>201,639</u>
Total primary government	<u>\$ 30,969,818</u>	<u>\$ 31,956,193</u>	<u>\$ 27,242,987</u>	<u>\$ 23,694,596</u>	<u>\$ 20,575,421</u>	<u>\$ 21,826,882</u>	<u>\$ 21,493,361</u>	<u>\$ 25,862,156</u>	<u>\$ 27,468,749</u>	<u>\$ 28,612,085</u>
<b>Change in Net Position</b>										
Governmental activities	\$ 14,845,523	\$ 17,406,049	\$ (1,759,850)	\$ (917,126)	\$ 2,321,061	\$ 2,007,027	\$ (456,330)	\$ (443,413)	\$ (3,839,998)	\$ (1,715,752)
Business-type activities	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	5,814,877
Total primary government	<u>\$ 21,101,985</u>	<u>\$ 24,545,230</u>	<u>\$ 4,920,913</u>	<u>\$ 2,264,282</u>	<u>\$ 6,909,712</u>	<u>\$ 6,367,502</u>	<u>\$ 3,110,345</u>	<u>\$ 5,569,407</u>	<u>\$ 657,641</u>	<u>\$ 4,099,125</u>

Source: Town of Oro Valley Finance Department

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

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund										
Nonspendable	\$	\$	\$	\$	\$	\$	\$	\$	\$ 31,278	\$ 97,269
Restricted										
Committed										
Assigned					1,769,333	1,608,035	1,608,035	1,608,035	1,553,999	1,441,862
Unassigned					9,237,805	9,793,614	11,529,070	9,925,988	8,566,598	8,985,422
Reserved										
Unreserved	18,477,706	16,666,388	15,940,438	11,904,429						
Total general fund	<u>\$ 18,477,706</u>	<u>\$ 16,666,388</u>	<u>\$ 15,940,438</u>	<u>\$ 11,904,429</u>	<u>\$ 11,007,138</u>	<u>\$ 11,401,649</u>	<u>\$ 13,137,105</u>	<u>\$ 11,534,023</u>	<u>\$ 10,151,875</u>	<u>\$ 10,524,553</u>
All Other Governmental Funds										
Nonspendable	\$	\$	\$	\$	\$	\$	\$	\$	\$ 149,348	\$ 127,600
Restricted					9,128,505	11,454,390	3,730,312	4,555,138	3,599,966	4,031,923
Committed					840,704	622,919	4,166,818	5,343,506	4,637,773	2,617,856
Assigned								1,500,000	1,421,593	1,340,991
Unassigned										(29,198)
Reserved										
Unreserved, reported in:										
Special revenue funds	4,891,095	5,534,192	5,887,082	5,868,523						
Capital projects funds	4,520,718	15,396,024	9,071,398	3,933,044						
Debt service funds	245,208	263,478	158,816	1,929,635						
Total all other governmental funds	<u>\$ 9,657,021</u>	<u>\$ 21,193,694</u>	<u>\$ 15,117,296</u>	<u>\$ 11,731,202</u>	<u>\$ 9,969,209</u>	<u>\$ 12,077,309</u>	<u>\$ 7,897,130</u>	<u>\$ 11,398,644</u>	<u>\$ 9,808,680</u>	<u>\$ 8,089,172</u>

Source: Town of Oro Valley Finance Department

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

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Revenues</b>										
Taxes	\$ 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	\$ 17,620,010
Intergovernmental	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	19,488,066
Fines and forfeitures	429,458	391,921	413,720	612,031	560,941	895,820	551,962	673,336	221,571	283,470
Licenses and permits	2,368,851	2,792,684	1,507,930	1,108,411	1,059,309	1,185,862	1,813,947	2,116,700	1,605,937	1,915,992
Charges for services	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	5,956,058
Contributions and donations	19,171	249,999	1,000	59	15,000	995	27,229			149,513
Special assessments	189,820	193,023	367,539	368,152	365,811	366,028	365,935	1,462,307	178,078	189,525
Impact fees	1,038,217	910,741	441,020	584,113	481,619	417,742	988,342	569,338	439,637	795,471
Investment earnings	1,471,641	1,590,654	113,995	95,625	39,124	189,606	265,787	255,702	216,175	238,210
Other revenues	135,261	555,790	233,123	216,030	297,109	460,512	349,326	305,489	141,618	504,796
<b>Total revenues</b>	<b>\$ 42,436,858</b>	<b>\$ 47,275,031</b>	<b>\$ 37,644,009</b>	<b>\$ 35,370,775</b>	<b>\$ 33,872,629</b>	<b>\$ 37,774,570</b>	<b>\$ 37,591,064</b>	<b>\$ 39,823,416</b>	<b>\$ 40,224,056</b>	<b>\$ 47,141,111</b>
<b>Expenditures</b>										
General government	\$ 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	\$ 11,426,687
Public safety	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	15,494,532
Highways and streets	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	2,754,413
Transit									1,404,646	1,432,910
Culture and recreation	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	9,097,752
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	7,995,340
Debt Service										
Principal retirement	1,077,813	3,403,102	938,900	3,400,877	3,459,970	3,052,953	571,910	1,867,901	649,840	897,637
Interest and fiscal charges	921,205	907,658	1,034,061	831,580	470,578	554,274	498,729	472,268	436,010	336,510
Payment to bond escrow agent				6,279,112						
Bond Issuance costs	28,868			26,550		75,800				104,533
<b>Total expenditures</b>	<b>\$ 38,395,984</b>	<b>\$ 47,149,676</b>	<b>\$ 44,446,357</b>	<b>\$ 42,792,878</b>	<b>\$ 39,042,036</b>	<b>\$ 37,965,794</b>	<b>\$ 39,738,106</b>	<b>\$ 38,141,057</b>	<b>\$ 43,199,287</b>	<b>\$ 49,540,314</b>
Excess of revenues over (under) expenditures	\$ 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)	\$ (2,399,203)
<b>Other Financing Sources (Uses)</b>										
Premium on bonds issued	\$ 25,719					\$ 113,835				
Proceeds from capital lease agreements								\$ 212,895		\$ 1,043,214
Issuance of long-term loan payable		8,000,000								
Issuance of refunding debt	1,389,180									
Payment to bond escrow agent	(1,540,438)									(2,523,121)
Issuance of long-term debt					2,445,000	2,580,000				2,529,250
Transfers in	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	1,872,026
Transfers out	(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)	(1,868,996)
<b>Total other financing sources (uses)</b>	<b>\$ (55,726)</b>	<b>\$ 9,600,000</b>	<b>\$</b>	<b>\$</b>	<b>\$ 2,510,123</b>	<b>\$ 2,693,835</b>	<b>\$ (297,681)</b>	<b>\$ 216,073</b>	<b>\$ 3,119</b>	<b>\$ 1,052,373</b>
<b>Net change in fund balances</b>	<b>\$ 4,014,016</b>	<b>\$ 9,725,355</b>	<b>\$ (6,802,348)</b>	<b>\$ (7,395,553)</b>	<b>\$ (2,659,284)</b>	<b>\$ 2,578,411</b>	<b>\$ (2,444,723)</b>	<b>\$ 1,898,432</b>	<b>\$ (2,972,112)</b>	<b>\$ (1,346,830)</b>
Debt service as a percentage of noncapital expenditures	7.17%	12.36%	5.88%	10.60%	12.36%	11.55%	3.76%	7.30%	3.17%	3.00%

Source: Town of Oro Valley Finance Department

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

<u>Employer</u>	<u>2016</u>			<u>2007</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Town Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Town Employment</u>
Ventana Medical Systems	1,400	1	8.00%	566	2	3.81%
Oro Valley Hospital	602	2	3.44%			
Town of Oro Valley	529	4	3.02%	333	5	2.24%
Amphitheater Public Schools	549	3	3.14%	646	1	4.35%
Hilton El Conquistador Golf & Tennis Resort	345	5	1.97%	440	4	2.96%
Fry's Food & Drug Store	235	6	1.34%	270	6	1.82%
Walmart Supercenter	229	7	1.31%			
Splendido at Rancho Vistoso	188	8	1.07%			
Securaplane	167	9	0.95%			
Target	150	10	0.86%			
Home Depot	125	11	0.71%	160	8	1.08%
Northwest Medical Center				450	3	3.03%
Hilton El Conquistador Country Club				260	7	1.75%
Northwest Medical Center - Urgent Care				150	9	1.01%
Stone Canyon Golf/Golf Club at Vistoso				130	10	0.88%
<b>Total</b>	<b>4,519</b>		<b>25.82%</b>	<b>3,405</b>		<b>22.93%</b>

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)

Taxpayer	Business Type	Fiscal Year 2016			Fiscal Year 2007		
		Sales Tax Payments	Rank	Percentage of Total Sales Tax Payments	Sales Tax Payments	Rank	Percentage of Total Sales Tax Payments
Taxpayer A	Utility	\$ 1,916,534	1	11.91%			
Taxpayer B	Retail Trade	1,016,496	3	6.32%			
Taxpayer C	Retail Trade	812,055	4	5.05%	\$ 655,622	3	4.35%
Taxpayer D	Utility	513,229	5	3.19%			
Taxpayer E	Construction	388,577	9	2.41%			
Taxpayer F	Utility	441,352	7	2.74%			
Taxpayer G	Retail Trade	489,898	6	3.04%	614,468	4	4.07%
Taxpayer H	Retail Trade	429,809	8	2.67%	275,414	9	
Taxpayer I	Accomodation	1,169,909	2	7.27%	1,703,376	1	11.29%
Taxpayer J	Retail Trade	354,280	10	2.20%			0.00%
Taxpayer K	Construction				928,022	2	6.15%
Taxpayer L	Construction				578,400	5	3.83%
Taxpayer M	Construction				500,055	6	3.32%
Taxpayer N	Retail Trade				265,527	10	1.76%
Taxpayer O	Construction				333,524	7	2.21%
Taxpayer P	Construction				314,233	8	2.08%
Total		<u>\$ 7,532,139</u>		<u>46.81%</u>	<u>\$ 6,168,641</u>		<u>39.07%</u>

Source: Arizona Department of Revenue

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Construction	\$ 6,895	\$ 7,038	\$ 5,143	\$ 2,110	\$ 1,707	\$ 1,738	\$ 2,842	\$ 3,338	\$ 3,199	\$ 2,131
Manufacturing	181	280	230	230	266	258	258	257	141	156
Transportation, Warehousing, Communications & Utilities	226	1,279	1,632	1,554	1,534	2,450	2,785	2,959	3,068	3,133
Wholesale Trade	58	69	54	75	93	106	110	103	125	131
Retail Trade	3,665	4,017	4,264	4,544	4,720	4,925	5,153	5,243	5,808	6,844
Restaurants, Bars & Lodging	2,720	2,775	2,333	2,283	2,314	2,314	2,164	2,761	2,803	3,295
Finance, Insurance & Real Estate	859	496	324	381	324	333	335	75	270	443
Services	313	312	322	378	417	456	456	529	599	672
All Other	167	337	896	627	102	103	75	60	115	190
Cable Franchise	478	517	507	509	515	525	540	572	582	622
<b>Total</b>	<b>\$ 15,562</b>	<b>\$ 17,120</b>	<b>\$ 15,705</b>	<b>\$ 12,691</b>	<b>\$ 11,992</b>	<b>\$ 13,208</b>	<b>\$ 14,718</b>	<b>\$ 15,897</b>	<b>\$ 16,710</b>	<b>\$ 17,617</b>
Town sales tax rate*	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.50%	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  
.5% Additional sales tax effective March 1, 2015

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
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%
2016	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  
LIMITED & FULL CASH ASSESSED PROPERTY VALUES  
LAST TEN FISCAL YEARS  
(UNAUDITED)

Year	Limited Assessed Valuation	Full Cash 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
2016	593,580,247	616,216,705	5,688,443,027	0

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

Note: Beginning in FY 2016, due to Proposition 117, the primary (limited assessed valuation) is to be used by municipalities when levying for maintenance and operation and for debt retirement. Prior to that date, the secondary (full cash) assessed valuation was used when levying for debt retirement, voter-approved budget overrides, and maintenance and operation of special service districts.

TOWN OF ORO VALLEY, ARIZONA  
HISTORICAL AND PROJECTED EXCISE TAX COLLECTIONS  
JUNE 30, 2016  
(UNAUDITED)

Revenue Source	Actual								Projected	
	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	Fiscal Year 2018
Town Sales and Franchise Taxes	\$ 15,883,093	\$ 13,480,150	\$ 12,086,962	\$ 13,325,106	\$ 14,780,543	\$ 15,857,732	\$ 16,714,223	\$ 17,620,010	\$ 18,148,610	\$ 18,693,069
Licenses and Permits	1,507,930	1,108,411	1,059,309	1,185,862	1,813,947	2,116,700	1,605,937	1,915,992	1,973,472	2,032,676
Fines	285,628	202,144	195,933	200,672	180,875	172,232	148,050	283,470	291,974	300,733
State-Shared Sales Tax	3,134,789	2,891,386	3,024,857	3,204,612	3,356,826	3,569,711	3,747,944	3,887,673	4,004,303	4,124,432
State-Shared Income Tax	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	5,238,426
<b>Total</b>	<b>\$ 26,697,572</b>	<b>\$ 22,769,045</b>	<b>\$ 20,201,972</b>	<b>\$ 21,377,611</b>	<b>\$ 24,321,377</b>	<b>\$ 26,287,571</b>	<b>\$ 27,180,789</b>	<b>\$ 28,644,864</b>	<b>\$ 29,504,211</b>	<b>\$ 30,389,336</b>

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

Source: Oro Valley Finance Department

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

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

Fiscal Year	Governmental Activities					Business-Type Activities			Total Primary Government	Percentage of Personal Income	Per Capita
	Capital Leases	Note Payable	Loan Payable	Excise Tax Bonds	Special Assessment Bonds	Revenue Bonds	Capital Leases	Loan Payable			
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
2016	966,962	700,000		7,716,638	780,000	34,517,647	80,423	8,879,907	53,641,577	2.95%	1,231

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, 2016  
 (UNAUDITED)

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Pima County	\$ 350,135,000	7.50%	\$ 26,260,125
Pima County Community College District	-	7.50%	-
Amphitheater Unified School District No. 10	91,035,000	18.43%	<u>16,777,751</u>
Total Overlapping			43,037,876
Town of Oro Valley	10,163,330	100.00%	<u>10,163,330</u>
Total Direct			10,163,330
Total direct and overlapping debt			<u><u>\$ 53,201,206</u></u>

Source: Pima County, Pima County Community College District and Amphitheater Unified School District No. 10.  
 (1) Proportion applicable to the Town of Oro Valley, Arizona, is computed on the ratio of secondary assessed valuation for 2015-16.

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt Limit	\$ 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	\$ 154,257,798
Total net debt applicable to limit										
Legal debt margin	<u>\$ 108,807,180</u>	<u>\$ 120,435,053</u>	<u>\$ 151,537,994</u>	<u>\$ 178,543,952</u>	<u>\$ 180,420,396</u>	<u>\$ 174,800,436</u>	<u>\$ 163,628,543</u>	<u>\$ 154,118,112</u>	<u>\$ 145,824,512</u>	<u>\$ 154,257,798</u>
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Source: Town of Oro Valley Finance Department



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

**Water Utility Revenue Bonds**

Fiscal Year	Gross Revenues	Debt Service			Coverage
		Principal	Interest	Total	
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
2016	16,943,615	3,054,080	1,239,488	4,293,568	3.95

**Governmental Revenue Bonds**

Fiscal Year	Gross Revenues	Debt Service			Coverage
		Principal	Interest	Total	
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
2016	31,883,978	530,920	289,630	820,550	38.86

**Certificates of Participation**

Fiscal Year	Gross Revenues	Debt Service			Coverage
		Principal	Interest	Total	
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
2016	31,883,978				0.00

**Special Assessment**

Fiscal Year	Gross Revenues	Debt Service			Coverage
		Principal	Interest	Total	
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
2016	189,525	145,000	58,189	203,189	0.93

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, 2016  
(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	Actual 2015/16
<b>Revenues:</b>									
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	\$ 12,018,429
Water connection fees	1,925,656	1,588,084	293,607	244,376	462,762	706,159	1,413,047	591,045	544,852
Alternative water connection fees	512,543	812,740	475,973	400,988	759,958	1,253,055	2,376,682	1,172,170	1,094,460
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	2,371,100
Other revenues	1,586,375	639,926	527,031	541,299	557,222	660,681	727,972	714,965	710,740
Interest income	864,262	125,458	70,329	38,445	166,654	-	110,615	124,593	203,857
<b>Total revenues</b>	<b>17,668,212</b>	<b>16,223,544</b>	<b>15,207,113</b>	<b>15,359,683</b>	<b>15,840,854</b>	<b>16,732,600</b>	<b>19,397,409</b>	<b>16,213,273</b>	<b>16,943,438</b>
<b>Expenses:</b>									
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	2,952,249
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	5,059,998
CAP water costs	602,682	185,490	154,575	903,855	636,519	1,093,105	1,499,594	1,570,793	1,952,117
<b>Total expenses</b>	<b>8,764,301</b>	<b>8,048,555</b>	<b>7,174,921</b>	<b>7,043,140</b>	<b>6,694,191</b>	<b>8,195,149</b>	<b>8,462,719</b>	<b>8,868,372</b>	<b>9,964,364</b>
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	6,979,074
<b>Water supported debt service:</b>									
2007 WIFA Loan		308,406	369,627	316,983	316,875	316,763	311,494	311,377	311,256
2009 WIFA Loan				161,554	182,268	186,817	150,471	149,367	149,322
2014 WIFA Loan								296,972	361,059
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	1,197,678
2012 Refunding Bonds						956,975	1,968,281	1,971,082	1,995,481
2013 Refunding Bonds							1,513,427	1,046,558	1,022,420
2015 Refunding Revenue Obligations									17,116
<b>Total water supported debt service</b>	<b>\$ 4,079,008</b>	<b>\$ 4,789,526</b>	<b>\$ 5,231,140</b>	<b>\$ 5,119,860</b>	<b>\$ 5,226,876</b>	<b>\$ 4,625,969</b>	<b>4,887,060</b>	<b>5,183,820</b>	<b>5,054,333</b>
<b>Debt service coverage</b>	<b>2.18</b>	<b>1.71</b>	<b>1.54</b>	<b>1.62</b>	<b>1.75</b>	<b>1.85</b>	<b>2.24</b>	<b>1.42</b>	<b>1.38</b>

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
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%
2016	43,565	1,817,844,597	41,727	5.3%

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)

<b>Function/Program</b>	Full-time Equivalent Employees as of June 30									
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
<b>Administration</b>										
Town Clerk	4.56	4.56	4.90	4.54	4.44	4.60	4.00	4.60	4.60	4.60
Town Manager	7.38	8.00	7.00	7.00	7.10	7.10	8.10	8.50	8.10	6.00
Human Resources	3.50	3.50	2.00	5.00	5.00	5.00	4.00	4.00	4.00	4.00
Economic Development	3.00	2.00	2.00	3.00	1.00	1.00	1.40	1.40	2.25	2.25
Finance	7.00	7.00	7.00	7.00	7.00	7.00	7.00	9.00	9.00	8.00
Information Systems	7.00	7.00	7.30	6.50	6.50	8.00	8.00	7.00	8.00	5.00
Legal	6.00	6.00	6.00	6.00	8.00	8.00	7.00	10.00	10.25	10.25
<b>Community Development</b>										
Building Safety	0	0.00	0.00	0.00	0.00	0.00	13.00	16.00	18.00	17.00
Community Development Admin.	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Planning & Zoning	0	0.00	0.00	0.00	0.00	0.00	13.00	16.00	16.00	14.00
<b>Development &amp; Infrastructure Services</b>	83.76	81.45	78.84	77.22	73.38	73.10	0.00	0.00	0.00	0.00
<b>Parks and Recreation</b>	49.36	36.20	37.61	27.26	20.62	22.70	27.50	27.60	28.10	27.00
<b>Cultural Resources</b>	0.20	0.00	0.00	1.35	1.30	1.30	0.00	0.00	0.00	0.00
<b>Library</b>	0.00	0.00	0.00	0.00	18.55	18.40	18.50	18.70	19.40	19.30
<b>Police</b>										
Civilians	30.25	30.25	25.93	30.25	30.25	29.70	30.70	33.00	34.00	34.00
Officers	102.88	102.88	101.91	101.44	97.96	95.00	97.90	102.40	108.00	105.00
<b>Magistrate Court</b>	8.00	8.00	8.70	8.00	8.00	9.00	9.00	9.00	8.50	8.50
<b>Public Works</b>	0.00	0.00	0.00	0.00	0.00	0.00	47.70	52.90	56.10	53.13
<b>Water Utility</b>	38.48	37.48	37.00	36.00	36.00	34.00	35.00	36.30	35.50	35.50
<b>Total</b>	351.37	334.32	326.19	320.56	325.10	323.90	331.80	356.40	369.80	353.53

Source: Town of Oro Valley Finance Department

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

<u>Fiscal Year</u>	<u>Residential</u>	<u>Commercial</u>	<u>Irrigation</u>	<u>Irrigation Reclaimed</u>	<u>Construction</u>	<u>Construction Reclaimed</u>	<u>Turf</u>	<u>Turf Reclaimed</u>	<u>Total</u>
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
2016	8,103,644	778,915	1,129,741	50,479	310,609		114,427	1,530,107	12,017,922

Source: Town of Oro Valley Water Utility Department

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

<u>Function/Program</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>Police</b>										
Burglaries	112	125	125	120	100	134	105	75	77	85
Citations (traffic)	8,183	7,497	9,256	6,736	5,244	5,084	5,456	4,668	4,486	3,890
Investigations	6,656	6,892	917	732	746	711	681	765	832	824
Total Arrests	2,236	2,254	2,478	2,176	1,932	1,716	1,564	1,679	1,721	1,598
Thefts	575	577	528	567	656	571	563	561	500	586
<b>Development &amp; Infrastructure Services</b>										
Street resurfacing (miles)	7.7	10.5	53.4	14.8	13.9	22.4	30.5	73.4	101.0	92.0
<b>Parks and Recreation</b>										
Recreation Programs Held Annually	42	46	46	40	47	37	35	30	38	52
Months of Public Pool Operations	10	10	10	12	12	12	10	12	12	12
Parks Maintenance Man-Hours Worked	15,600	17,472	16,288	16,120	18,680	16,016	17,000	20,000	16,255	15,083
<b>Library</b>										
Collection volume	90,000	96,000	95,750	100,142	100,652	97,364	0	0	0	0
<b>Water</b>										
New connections	367	346	196	68	61	97	213	165	202	176
Total connections	17,830	18,177	18,373	18,441	18,502	18,599	18,812	18,977	19,179	19,355
<b>Transit</b>										
Total route miles	165,202	175,841	163,964	138,752	138,333	200,058	353,936	439,512	392,071	529,170
Passengers	14,858	16,908	17,101	15,573	14,873	20,119	32,442	39,196	39,102	45,202

Source: Town of Oro Valley Finance Department

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

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

<u>Year</u>	<u>Base Rate monthly</u>	<u>Tier 1 per 1,000</u>	<u>Tier 2 per 1,000</u>	<u>Tier 3 per 1,000</u>	<u>Tier 4 per 1,000</u>	<u>GPF per 1,000</u>
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
2016	14.19	2.32	3.19	4.40	6.05	0.90

Source: Town of Oro Valley Water Utility

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<u>Function/Program</u>										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Substations	2	2	2	3	3	3	3	3	3	3
Patrol units	105	113	109	108	53	67	66	64	74	77
Other fleet	0	0	0	0	55	42	43	42	45	44
Development & Infrastructure Services										
Streets (miles)	201.9	220.1	220.1	214.0	203.8	203.8	205.1	221.0	221.0	221.0
Streetlights	93	93	93	93	93	93	95	95	95	95
Traffic signals	15	16	16	18	16	17	19	19	19	19
Parks and recreation										
Acreage	300	300	300	374	374	436	436	457	448	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	1	1
Golf course holes	0	0	0	0	0	0	0	0	45	45
Tennis courts	1	1	1	1	1	1	1	1	32	32
Swimming pools	1	1	1	1	1	2	2	2	4	4
Water										
Wells	22	19	22	18	22	22	22	18	20	20
Storage capacity (MG)	17.5	18	19	19	20	20	20	13	12	12
Booster capacity	28	27	27	26	25	25	25	26	27	27
Transit										
Transit vans	9	9	9	9	5	5	5	9	7	4
Transit mini buses	0	0	0	0	5	10	12	17	19	22

Source: Town of Oro Valley Finance Department