



TOWN OF ORO VALLEY, ARIZONA

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2018

**TOWN OF ORO VALLEY, ARIZONA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Prepared by:

Finance Department

Stacey Lemos, CPA  
Chief Financial Officer

(This page intentionally left blank)

**TOWN OF ORO VALLEY, ARIZONA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**TABLE OF CONTENTS**

<b><u>INTRODUCTORY SECTION</u></b>	<b><u>Page</u></b>
Letter of Transmittal	1
Organization Chart	9
List of Town Officials	10
GFOA Certificate of Achievement	11
<b><u>FINANCIAL SECTION</u></b>	
INDEPENDENT AUDITOR’S REPORT	15
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)	19
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Position	33
Statement of Activities	34
Fund Financial Statements:	
Balance Sheet – Governmental Funds	38
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	41
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	42
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	45
Statement of Net Position – Proprietary Funds	46

**TOWN OF ORO VALLEY, ARIZONA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**TABLE OF CONTENTS**

<b><u>FINANCIAL SECTION</u></b>	<b><u>Page</u></b>
<b>BASIC FINANCIAL STATEMENTS</b>	
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds	48
Statement of Cash Flows – Proprietary Funds	50
Notes to Financial Statements	52
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Schedule of Revenues Expenditures and Changes in Fund Balances – Budget and Actual:	
General Fund	90
Community Center Fund	91
Pension Schedules	92
OPEB Schedules	96
Notes to Required Supplementary Information	101
<b>COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES</b>	
<b>Governmental Funds:</b>	
Combining Balance Sheet – All Non-Major Governmental Funds By Fund Type	106
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – All Non-Major Governmental Funds – By Fund Type	108
<b>Special Revenue Funds:</b>	
Combining Balance Sheet	112
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	114
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	116

**TOWN OF ORO VALLEY, ARIZONA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**TABLE OF CONTENTS**

<b><u>FINANCIAL SECTION</u></b>	<b><u>Page</u></b>
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES	
Debt Service Fund:	
Combining Balance Sheet	122
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	126
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	124
Capital Projects Funds:	
Combining Balance Sheet	128
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	130
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	132
Internal Service Funds:	
Combining Statement of Net Position	138
Combining Statement of Revenues, Expenses and Changes in Fund Net Position	139
Combining Statement of Cash Flows	140
Financial Trends:	
Net Position by Component	143
Changes in Net Position	144
Fund Balances of Governmental Funds	147
Changes in Fund Balances of Governmental Funds	148

**TOWN OF ORO VALLEY, ARIZONA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**TABLE OF CONTENTS**

**STATISTICAL SECTION**

Revenue Capacity:

Principal Employers	149
Principal Sales Taxpayers	150
Taxable Sales by Category	151
Direct and Overlapping Sales Tax Rates	152
Limited and Full Cash Assessed Property Values	153
Historical and Projected Excise Tax Collections	154

Debt Capacity:

Ratio of Outstanding Debt by Type	155
Direct and Overlapping Governmental Activities Debt	156
Legal Debt Margin Information	157
Calculation of Legal Debt Margin	158
Pledged-Revenue Coverage	159
Historical and Projected Water System Revenues, Expenses, Debt Service and Coverage	160

Demographic and Economic Information:

Demographic and Economic Statistics	161
-------------------------------------	-----

**TOWN OF ORO VALLEY, ARIZONA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**TABLE OF CONTENTS**

<b><u>STATISTICAL SECTION</u></b>	<b><u>Page</u></b>
Operating Information:	
Full-Time Equivalent Town Employees by Function	162
Water Utility Revenues by User Type	163
Operating Indicators by Function	164
Water Rates	165
Capital Assets Statistics by Function	166

(This page intentionally left blank)

## **INTRODUCTORY SECTION**

(This page intentionally left blank)



## Town of Oro Valley

January 8, 2019

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, 2018.

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, 2018, 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, 2018, 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.

*Caring for our heritage, our community, our future.*

[www.orovalleyaz.gov](http://www.orovalleyaz.gov)

11000 N. La Cañada Drive • Oro Valley, Arizona 85737

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

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 45,184. The population of Oro Valley has increased 52% since the 2000 population of 29,700.

Based on 2016 Census estimates, Oro Valley has a median household income of \$75,966, compared to the median household income for the state of Arizona of \$51,340. 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.

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 2018.

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 2016-17 and is centered around the vision expressed in the Council-adopted and voter-ratified Oro Valley General Plan. The Strategic Plan is organized around the framework of the following ten (10) focus areas:

### Economic Development

Focusing on long-term financial and economic stability and sustainability, Oro Valley recognizes that a robust local economy and job market provide opportunities for quality employment.

### Complete Community

Oro Valley continues to be a community with a wide range of services, amenities, shopping and dining opportunities and housing types that meet the needs of current and future residents.

### Parks and Recreation

Oro Valley recognizes the need for a high-quality parks, recreation and open space system that is accessible, comprehensive and connected.

### Public Safety

Oro Valley will continue its commitment to being a safe community with low crime, safe neighborhoods and positive relationships between law enforcement and community members.

### Town Assets

Oro Valley provides high-quality and well-maintained Town assets, including streets, infrastructure and facilities.

### Water Resources and Energy

Oro Valley delivers a high-quality, safe and reliable water supply that meets the long-term needs for the community while considering the natural environment.

### Cultural Resources

Oro Valley protects and preserves its significant cultural sites, properties and resources to enhance our community character and heritage.

### Land Use and Design

Oro Valley focuses on a built environment that creatively integrates landscape, architecture, open space and conservation elements to increase the sense of place, community interaction and quality of life.

### Transportation

Oro Valley will provide an integrated and connected transportation network that enhances mobility for people and goods while providing diverse transportation choices that are safe, user-friendly, efficient and accessible.

### Cost of Services

Oro Valley will seek full recovery of the costs of services that serve new development.

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. Shown below are some of the Town's accomplishments during FY 2017-18.

- Simpleview relocated their headquarters from Pima County to Oro Valley, bringing 184 employees
- Successfully integrated community development and economic development divisions into new Community and Economic Development Department
- Collected over \$2 million in plan review and permit fees representing more than \$223 million in work valuation for new private construction
- Issued a total of 2,357 permits – almost identical to the number of permits issued the previous year
- Completed four major General Plan Amendments
- Performed approximately 28,000 building inspections at 9,200 locations
- Received the Achievement of Excellence in Financial Reporting Award, Distinguished Budget Presentation Award with special recognition for the Town's Capital Improvement Program and Popular Annual Financial Reporting Award from the Government Finance Officers Association
- Received the Achievement of Excellence in Procurement Award from the National Procurement Institute
- Ended FY 2017-18 with a nearly \$2.6 million increase in the General Fund ending fund balance
- Adopted a balanced budget for FY 2018-19 in the amount of \$142.9 million, reflecting the community's and Town Council's values and priorities
- Updated the Town's financial and investment policy to reflect best practices
- Expanded and improved the Economic Expansion Zone to help attract primary employers
- Honored with Safety Leadership Award by American Society of Safety Engineers Southern Arizona Chapter specific to the hands-free driving ordinance adoption
- Implemented Alternative to Jail Video Court to reduce jail costs to the Town
- Hosted the first Celebrate Oro Valley festival at Steam Pump Ranch
- Worked with user groups, property owners and Pima County Flood Control District to develop and open the Big Wash trailhead
- Installed two additional multi-sport lighted fields at Naranja Park
- Hosted the 4<sup>th</sup> of July celebration at Naranja Park with the first ever Town-sponsored fireworks
- Achieved full deployment of the Axon body worn camera program in patrol division of Police Department
- Created the Southern Arizona Law Enforcement Explorer Academy incorporating six agencies
- Completed the Lambert Lane Phase II roadway widening
- Installed new traffic signal at the entrance to the Oro Valley Community Center
- Installed new multi-use path for pedestrian access into Naranja Park
- Delivered a combined total of 3.18 billion gallons of water to water utility customers

## ECONOMIC CONDITIONS AND OUTLOOK

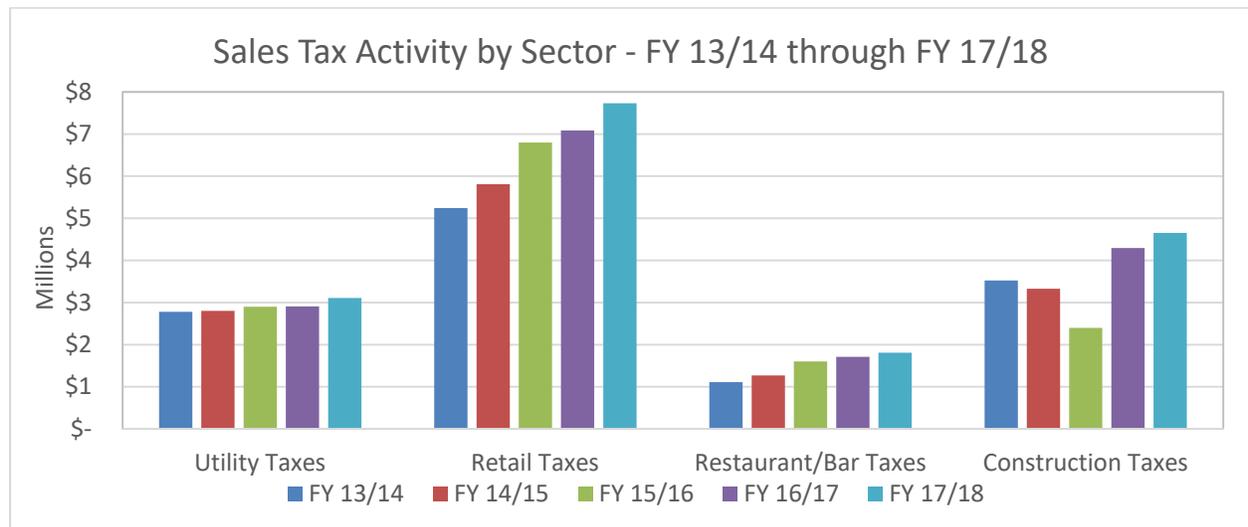
The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the Town operates.

Healthy economic growth is being observed at both the local and state levels, which has impacted the Town's revenue collections for FY 2017-18 and is expected to continue into FY 2018-19. 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 revenue for its operating and capital expenditures. These sources accounted for approximately 78% of total General Fund revenue for FY 2017-18.

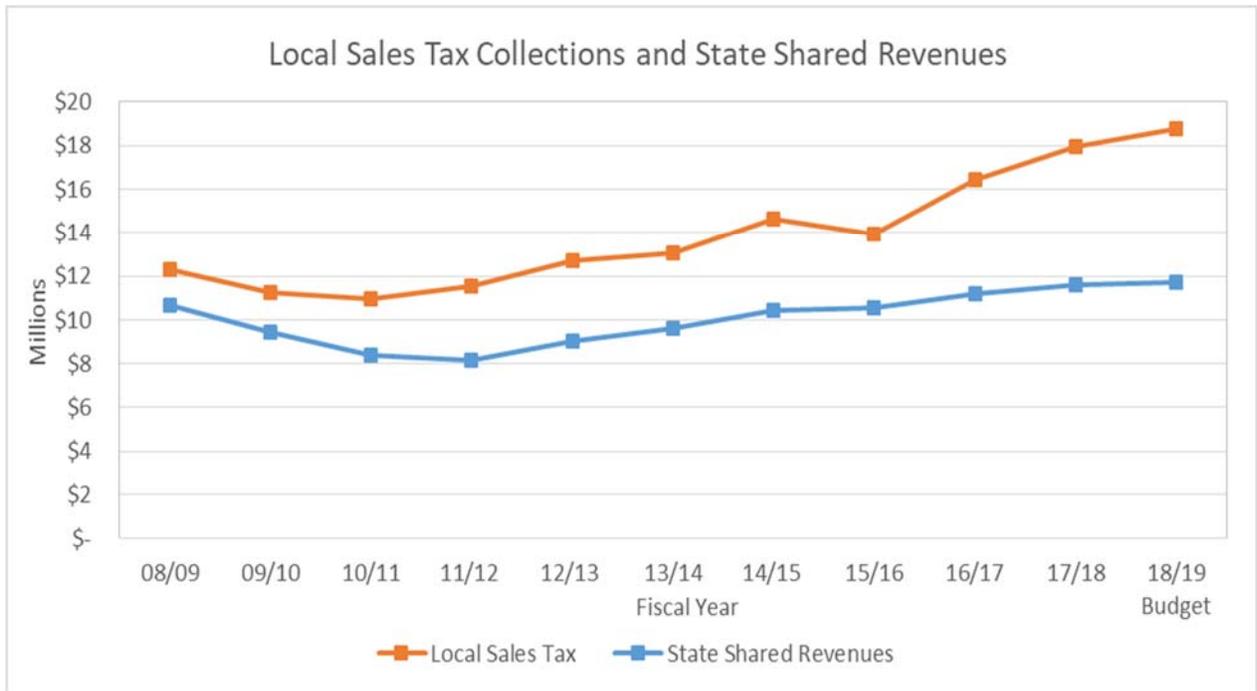
All of the major local sales tax categories experienced year-over-year increases compared to amounts collected in FY 2016-17, as discussed below:

- Retail tax collections totaled \$7.7 million for FY 17-18, up 9.1%, or nearly \$650,000 over last fiscal year.
- Restaurant and bar tax collections totaled \$1.8 million for the fiscal year, up 5.9%, or \$100,000 over last fiscal year.
- Construction sales tax collections totaled \$4.7 million for the fiscal year, up 8.4%, or nearly \$360,000 from last fiscal year.
- Utility tax collections totaled \$3.1 million for the fiscal year, up 7%, or \$200,000 from last fiscal year.

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



In FY 2017-18, the Town received \$11.6 million for state shared revenues in the General Fund, up 3.6%, or \$400,000 over last fiscal year. The trend chart below depicts the performance of both of these revenue categories since FY 2008-09:



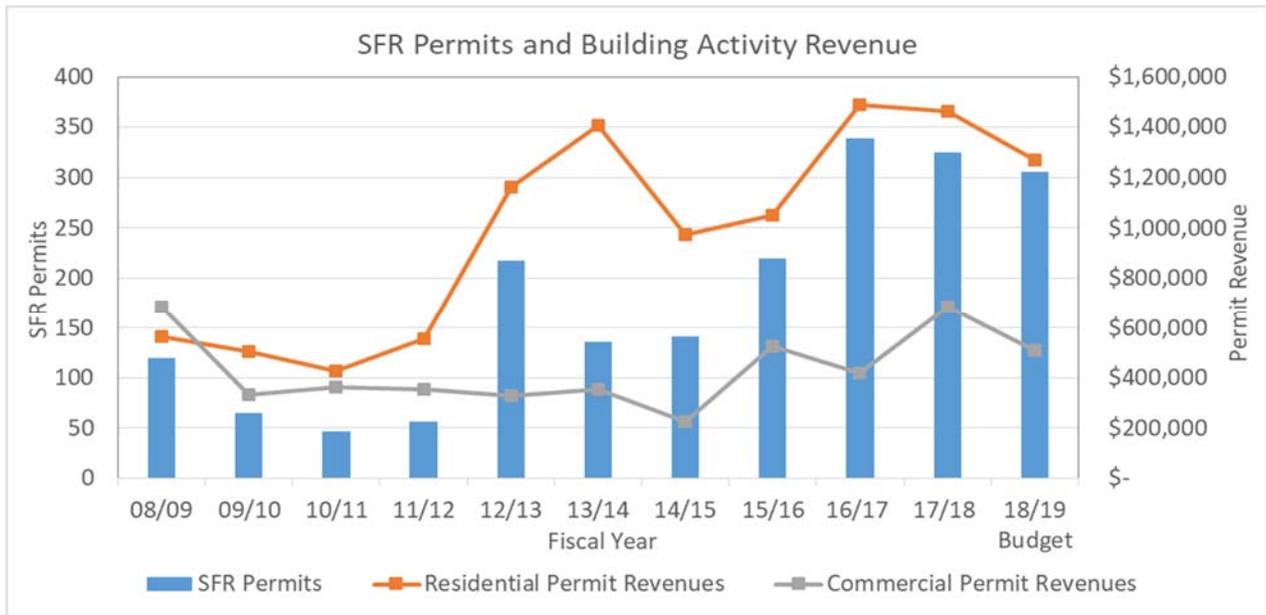
Critical to our success in this area is the preparation of realistic growth assumptions that help guide the Town’s revenue projections. There continues to be healthy economic growth in Oro Valley, the Tucson metropolitan region and State-wide. Arizona remains well-positioned to outpace the nation and most states in job, income and population. The Tucson Metropolitan Statistical Area (MSA-region) is on pace for its fastest growth since 2006. According to the University of Arizona’s Eller College, it is projected that the Tucson region will see 19,000 net new jobs over the next two years. With Oro Valley’s close proximity to the Tucson metro region, it is likely that the Town’s local economy will continue to benefit with increased housing sales, retail and tourism growth, and overall personal income growth.

April 1, 2020 will mark the day in which the U.S. takes its decennial census. The data collected in this effort is a significant foundation for Oro Valley’s state-shared revenues, as well as other economic considerations. The Town is actively participating in the regional census planning and marketing efforts led by the Pima Association of Governments (PAG). For the upcoming fiscal year, 2018-19, state-shared revenues are projected to remain relatively flat to collections in the current year. Anticipated growth in state sales tax is expected to be offset by a decrease in state income tax and vehicle license tax collections.

In the near term, the projected residential development is strong over the next two to three-year period. In FY 2017-18, the Town estimated that 300 single family residential (SFR) building permits would be issued; a total of 325 were issued by year-end. The FY 2018-19 budget includes the assumption that 306 SFRs will be issued during the year as many developments have made their way through the planning and approval process and are in the building phase.

Commercial development activity continues to be relatively strong in the community, supporting the continued growth in construction sales taxes and healthy growth in utility, bed tax, retail and restaurant tax collections projected in the FY 2018-19 budget. License and permit revenues are projected to grow by 3.5% in the FY 2018-19 budget as well.

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 2008-09 through FY 2018-19 projections.



### **Future Focus**

During FY 2018-19, the Town will continue to identify and quantify both one-time revenues derived from 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 2018-19, the Town will focus its efforts on supporting the elements of its adopted Strategic Plan in the areas previously outlined earlier in this transmittal letter.

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 2018-19 to maintain fair and competitive compensation to its employees.
- The FY 2018-19 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 2018-19 budget includes \$800,000 for the Pavement Preservation Program in the Highway Fund, which maintains the current condition of Town streets and roads.
- The FY 2018-19 budget includes investments in Town facilities and infrastructure including the completion of a Police Evidence and Substation Building, ballfield renovations at James D. Krieh Park, town-wide facility roof replacements, courtroom remodeling, Rancho Vistoso streetlight repairs, and the widening of La Cholla Boulevard from Overton Rd. to Tangerine Rd.

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 \$16 million, or 38% of FY 2018-19 adopted expenditures of \$42 million. This is well above the Council-adopted policy threshold of 25% of adopted expenditures.

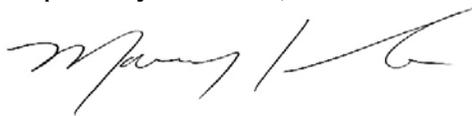
## **AWARDS AND ACKNOWLEDGMENTS**

**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, 2017. This was the twenty-fourth 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,



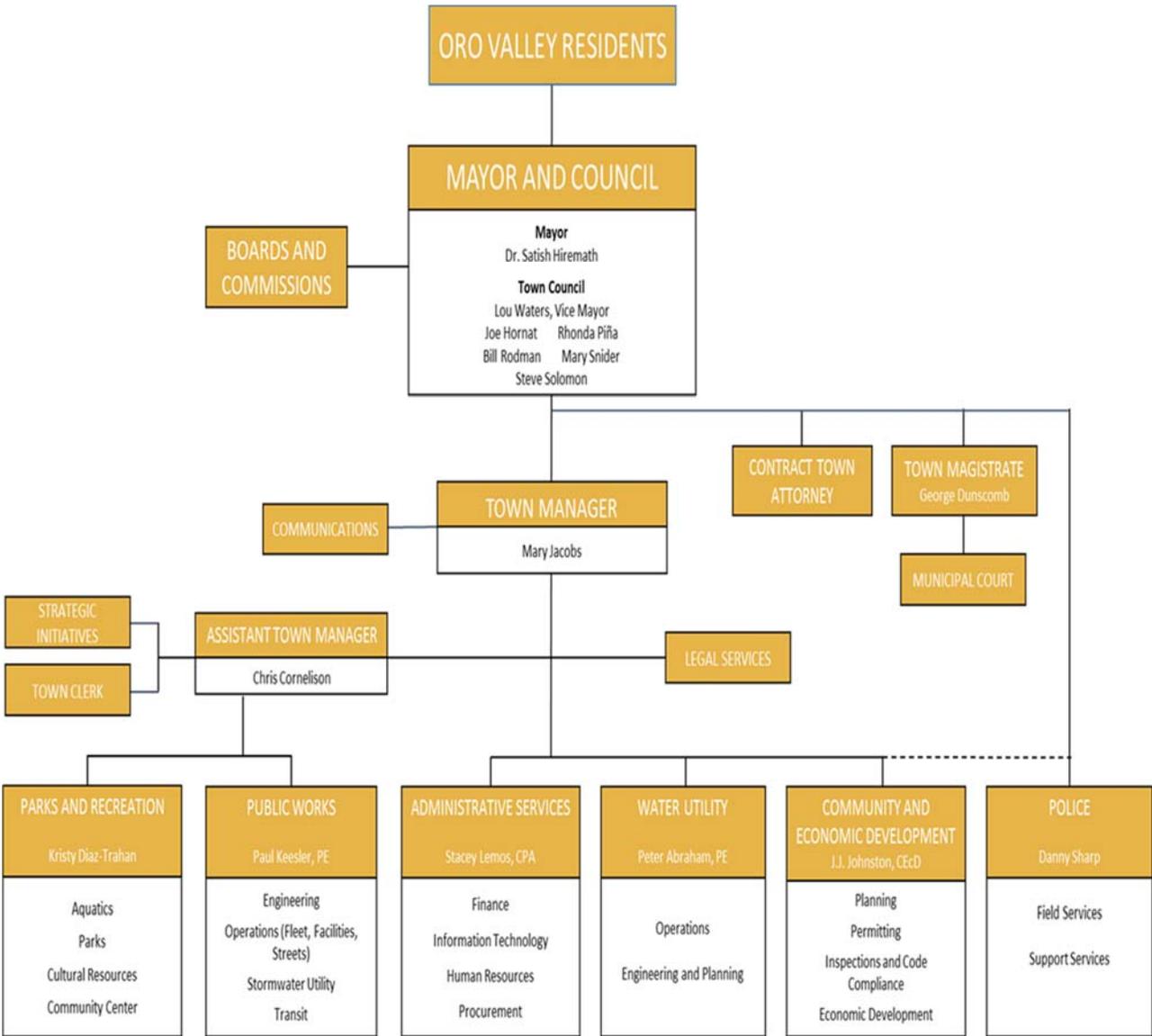
Mary Jacobs  
Town Manager



Stacey Lemos, CPA  
Chief Financial Officer



# Organizational Chart



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

**ELECTED OFFICIALS**

Mayor	Dr. Satish Hiremath
Vice-Mayor	Mr. Lou Waters
Councilmember	Mr. Joe Hornat
Councilmember	Ms. Rhonda Piña
Councilmember	Mr. Bill Rodman
Councilmember	Ms. Mary Snider
Councilmember	Mr. Steve Solomon

**TOWN MANAGEMENT**

Town Manager	Mary Jacobs
Assistant Town Manager	Chris Cornelison
Chief Financial Officer	Stacey Lemos, CPA
Human Resources Director	Chris Brady
Town Clerk	Michael Standish
Magistrate	George Dunscomb
Legal Services Director	Tobin Sidles
Water Utility Director	Peter Abraham
Chief of Police	Daniel Sharp
Public Works Director/Town Engineer	Paul Keesler
Parks and Recreation Director	Kristy Diaz-Trahan
Chief Information Officer	Chuck Boyer
Community and Economic Development Director	J.J. Johnston



Government Finance Officers Association

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

Presented to

**Town of Oro Valley  
Arizona**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2017**

*Christopher P. Morrill*

Executive Director/CEO

(This page intentionally left blank)

**FINANCIAL SECTION**

(This page intentionally left blank)

## 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Oro Valley, Arizona (the Town), as of and for the year ended June 30, 2018, 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, 2018, 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. No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for the year ended June 30, 2018, 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, net pension liability information, and other postemployment benefit plan 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 January 8, 2019, on our consideration of the 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 the 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  
January 8, 2019

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

(This page intentionally left blank)

**TOWN OF ORO VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2018**

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, 2018. 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 2017-18 as follows.

- The Town's total net position of governmental activities increased \$6.1 million to \$130.2 million and business-type activities increased \$5.0 million to \$90.4 million representing 59 percent and 41 percent respectively, of the total net position of \$220.6 million.
- General revenues from governmental activities accounted for \$34.0 million in revenue, or 61 percent of all revenues from governmental activities. Program specific revenues in the form of charges for services and grants and contributions accounted for \$21.9 million or 39 percent of total governmental activities revenues. The Town had \$21.7 million of program revenues and \$5,916 in general revenues related to business-type activities.
- The Town had \$49.8 million in expenses related to governmental activities, a decrease of 11 percent from the prior fiscal year. The Town had \$16.8 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 \$37.7 million in revenues, which primarily consisted of sales taxes and intergovernmental revenues. The total expenditures of the General Fund were \$32.9 million. The General Fund's fund balance increased from \$13.4 million to \$16.0 million.
- The Community Center Fund had \$6.7 million in revenues, which consisted primarily of sales taxes and charges for services. The total expenditures of the Community Center Fund were \$6.5 million.
- The Water Fund operating revenues of \$17.0 million exceeded operating expenses of \$14.4 million. The increase in net position of \$4.8 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, 2018**

## **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, 2018**

## **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 and other postemployment benefit plans 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 \$220.6 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, 2018**

**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, 2018 and June 30, 2017.

	2018	2017	2018	2017	2018 Total	2017 Total
	Governmental Activities	Governmental Activities	Business-type Activities	Business-type Activities		
Current and other assets	\$ 32,737,844	\$ 29,374,923	\$ 29,838,278	\$ 26,954,464	\$ 62,576,122	\$ 56,329,387
Capital assets, net	147,049,468	143,894,535	103,479,996	104,318,221	250,529,464	248,212,756
Total assets	<u>179,787,312</u>	<u>173,269,458</u>	<u>133,318,274</u>	<u>131,272,685</u>	<u>313,105,586</u>	<u>304,542,143</u>
Deferred outflows	<u>9,274,610</u>	<u>11,291,054</u>	<u>1,948,784</u>	<u>2,570,024</u>	<u>11,223,394</u>	<u>13,861,078</u>
Current and other liabilities	8,789,630	6,204,548	9,122,772	4,173,610	17,912,402	10,378,158
Long-term liabilities	<u>48,458,901</u>	<u>51,682,850</u>	<u>35,445,781</u>	<u>43,660,596</u>	<u>83,904,682</u>	<u>95,343,446</u>
Total liabilities	<u>57,248,531</u>	<u>57,887,398</u>	<u>44,568,553</u>	<u>47,834,206</u>	<u>101,817,084</u>	<u>105,721,604</u>
Deferred inflows	<u>1,660,960</u>	<u>2,649,527</u>	<u>265,122</u>	<u>531,886</u>	<u>1,926,082</u>	<u>3,181,413</u>
Net investment in capital assets	137,311,856	133,414,691	69,036,006	66,755,370	206,347,862	200,170,061
Restricted	4,424,244	6,006,584			4,424,244	6,006,584
Unrestricted	<u>(11,583,669)</u>	<u>(15,397,688)</u>	<u>21,397,377</u>	<u>18,721,247</u>	<u>9,813,708</u>	<u>3,323,559</u>
Total net position	<u>\$ 130,152,431</u>	<u>\$ 124,023,587</u>	<u>\$ 90,433,383</u>	<u>\$ 85,476,617</u>	<u>\$ 220,585,814</u>	<u>\$ 209,500,204</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.

- An increase of \$3.4 million of governmental activities current assets primarily due to an increase in cash and investments from construction sales tax collections and license and permit revenue collections.
- The addition of \$2.7 million in business-type activities capital assets through improvements to the existing water system.
- The addition of \$12.5 million in governmental activities capital assets, consisting of the completion of several road improvement projects as follows: Lambert Lane widening, Naranja Road left turn lane into Naranja Park, and installation of the traffic signal at Oro Valley Community Center entrance. Also, additional multi-use fields at Naranja Park and energy efficiency upgrades at the Oro Valley Community Center were completed during the fiscal year.
- The decrease of \$3.3 million in business-type activities long-term liabilities was primarily due to annual debt service payments.

**TOWN OF ORO VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2018**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Changes in net position.** The Town's total revenues for the current fiscal year were \$77.6 million. The total cost of all programs and services was \$66.6 million. The following table presents a summary of the changes in net position for the fiscal years ended June 30, 2018 and June 30, 2017.

	2018 Governmental Activities	2017 Governmental Activities	2018 Business-type Activities	2017 Business-type Activities	2018 Total	2017 Total
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 11,468,929	\$ 10,803,374	\$ 20,841,963	\$ 19,473,172	\$ 32,310,892	\$ 30,276,546
Operating grants and contributions	4,949,928	4,664,197			4,949,928	4,664,197
Capital grants and contributions	5,529,831	6,749,407	870,920	1,097,285	6,400,751	7,846,692
General revenues:						
Sales taxes	21,664,398	19,767,720			21,664,398	19,767,720
Franchise taxes	656,664	647,830			656,664	647,830
Unrestricted state shared revenues	11,577,834	11,177,729			11,577,834	11,177,729
Investment earnings	74,542	68,435	5,916	11,995	80,458	80,430
<b>Total revenues</b>	<u>55,922,126</u>	<u>53,878,692</u>	<u>21,718,799</u>	<u>20,582,452</u>	<u>77,640,925</u>	<u>74,461,144</u>
<b>Expenses:</b>						
General government	12,639,867	12,130,905			12,639,867	12,130,905
Public safety	17,683,197	22,251,172			17,683,197	22,251,172
Highways and streets	7,505,589	9,417,459			7,505,589	9,417,459
Transit	1,505,341	1,533,258			1,505,341	1,533,258
Culture and recreation	10,111,731	10,204,276			10,111,731	10,204,276
Interest on long-term debt	350,404	511,502			350,404	511,502
Water			15,568,288	14,753,418	15,568,288	14,753,418
Stormwater drainage			1,190,898	1,115,494	1,190,898	1,115,494
<b>Total expenses</b>	<u>49,796,129</u>	<u>56,048,572</u>	<u>16,759,186</u>	<u>15,868,912</u>	<u>66,555,315</u>	<u>71,917,484</u>
<b>Excess (deficiency) before transfers</b>	6,125,997	(2,169,880)	4,959,613	4,713,540	11,085,610	2,543,660
<b>Transfers</b>	2,847	2,942	(2,847)	(2,942)		
<b>Changes in net position</b>	6,128,844	(2,166,938)	4,956,766	4,710,598	11,085,610	2,543,660
<b>Net position, beginning</b>	124,023,587	126,190,525	85,476,617	80,766,019	209,500,204	206,956,544
<b>Net position, ending</b>	<u>\$ 130,152,431</u>	<u>\$124,023,587</u>	<u>\$ 90,433,383</u>	<u>\$ 85,476,617</u>	<u>\$ 220,585,814</u>	<u>\$ 209,500,204</u>

Total expenses decreased \$5.4 million, or seven percent, primarily due to changes in public safety-related pension obligations and contributions for the Public Safety Personnel Retirement System.

The increase of \$3.2 million in total revenues was largely due to sales tax collections from construction and residential building permit revenues coming in higher than anticipated.

**TOWN OF ORO VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2018**

**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.

	2018		2017	
	Total Expenses	Net (Expense)/ Revenue	Total Expenses	Net (Expense)/ Revenue
<b>Governmental Activities</b>				
General government	\$ 12,639,867	\$ (7,370,961)	\$ 12,130,905	\$ (6,835,638)
Public safety	17,683,197	(16,620,321)	22,251,172	(21,068,318)
Highways and streets	7,505,589	1,542,310	9,417,459	173,707
Transit	1,505,341	(46,533)	1,533,258	(14,466)
Culture and recreation	10,111,731	(5,001,532)	10,204,276	(5,575,377)
Interest on long-term debt	350,404	(350,404)	511,502	(511,502)
<b>Total</b>	<u>\$ 49,796,129</u>	<u>\$ (27,847,441)</u>	<u>\$ 56,048,572</u>	<u>\$ (33,831,594)</u>
<b>Business-type Activities</b>				
Water	\$ 15,568,288	\$ 4,758,317	\$ 14,753,418	\$ 4,502,252
Stormwater drainage	1,190,898	195,380	1,115,494	199,293
<b>Total</b>	<u>\$ 16,759,186</u>	<u>\$ 4,953,697</u>	<u>\$ 15,868,912</u>	<u>\$ 4,701,545</u>

- The cost of all governmental activities this year was \$49.8 million. The decrease of \$6.3 million from the prior year was due primarily to public safety activities related to changes in net pension obligations and contributions for the Public Safety Personnel Retirement System.
- The cost of all business-type activities this year was \$16.8 million. The increase of \$890,274 from the prior year was primarily due to an increase in operation and maintenance costs associated with the Water Utility Department.
- Federal and State government grants, developer contributions, and charges for services subsidized certain governmental programs and business-type programs with revenues of \$43.7 million.
- Net cost of governmental activities of \$27.8 million was financed by general revenues, which are made up of primarily sales taxes and state shared revenues of \$33.2 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, 2018**

**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 \$24.1 million, an increase of \$1.3 million. This was primarily due to an increase in sales tax collections.

The General Fund is the principal operating fund of the Town. The increase in fund balance of \$2.6 million to \$16.0 million as of fiscal year end was a result of an increase in sales tax collections. General Fund revenues increased \$2.0 million as a result of better than anticipated sales tax collections from construction and license and permit revenues. General Fund expenditures increased \$2.3 million as primarily due to the repayment of excess Public Safety Personnel Retirement System (PSPRS) contributions to members as a result of the *Hall and Parker* lawsuit settlements, the consolidation of all telecommunications costs town-wide and capital outlay in the Information Technology Department budget, and the addition of several new departmental positions in fiscal year 2017-18.

The Community Center Fund's fund balance increased \$25,594 to a deficit of \$71,563 as of fiscal year end.

**Proprietary funds.** Net position of the Enterprise Funds at the end of the year amounted to \$90.4 million. This increased by \$5.0 million during the fiscal year to the extent that revenues exceeded expenses in the fund and from development impact fees.

**BUDGETARY HIGHLIGHTS**

There were no amendments to the Town of Oro Valley's fiscal year 2017-18 operating and capital budget. A schedule showing the original and final budget amounts compared to the Town's actual financial activity for the General Fund is provided in this report as required supplementary information. The significant variances are summarized as follows:

- The favorable variance of \$1.4 million in sales taxes was a result of was a result of increased construction sales tax collections due to commercial and residential development.
- The favorable variance of \$571,453 in licenses, fees, and permits was a result of residential and commercial building permit activity exceeding projections.

**TOWN OF ORO VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2018**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** At year end, the Town had invested \$250.5 million in capital assets (net of accumulated depreciation), including buildings, facilities, vehicles, computers, equipment, and infrastructure assets. This amount represents a net increase of \$2.3 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 \$12.9 million.

The following schedule presents capital asset balances for the fiscal years ended June 30, 2018 and June 30, 2017.

	As of June 30, 2018	As of June 30, 2017
<b><u>Governmental Activities</u></b>		
Land	\$ 19,518,801	\$ 19,518,801
Infrastructure	185,768,295	173,893,147
Buildings and improvements	34,019,586	30,461,644
Machinery, equipment, and vehicles	17,243,799	16,611,079
Construction in progress	5,426,591	9,248,205
Less: Accumulated depreciation	<u>(114,927,604)</u>	<u>(105,838,341)</u>
<b>Total</b>	<b><u>\$ 147,049,468</u></b>	<b><u>\$143,894,535</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	133,215,431	130,279,801
Stormwater system	2,956,995	2,846,177
Equipment and vehicles	5,752,158	5,520,902
Construction in progress	310,223	921,300
Less: Accumulated depreciation	<u>(49,699,961)</u>	<u>(46,195,109)</u>
<b>Total</b>	<b><u>\$ 103,479,996</u></b>	<b><u>\$ 104,318,221</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, 2018**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Debt Administration.** At year end, the Town had \$44.3 million in long-term debt outstanding, \$5.7 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, 2018 and June 30, 2017.

<u>Governmental Activities</u>	<u>2018</u>	<u>2017</u>
Revenue bonds	\$ 8,777,836	\$ 9,322,126
Special assessment bonds	490,000	640,000
Note payable		350,000
Capital leases	458,744	716,622
<b>Total</b>	<u>\$ 9,726,580</u>	<u>\$ 11,028,748</u>
<u>Business-type Activities</u>		
Revenue bonds	\$ 26,913,164	\$ 29,520,874
Loan payable	7,690,874	8,284,407
Capital leases		40,814
<b>Total</b>	<u>\$ 34,604,038</u>	<u>\$ 37,846,095</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 \$126.7 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 4.3 percent. Pima County's and the State of Arizona's unemployment rates are 4.4 percent and 4.8 percent, respectively.
- The Town's net full cash assessed valuation for the current year is \$633,479,221.
- Single family residential (SFR) building permits issued in this fiscal year totaled 325, as compared to 339 SFR building permits issued last fiscal year. Projections for SFR building permits are 306 for fiscal year 2018-19.

**TOWN OF ORO VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2018**

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

The adopted combined operating and capital expenditure budget for fiscal year 2018-19 totals \$142.9 million, an increase of \$14.3 million, or 11 percent over last year's budget of \$128.6 million. This increase is primarily due to bond-funded projects for the police evidence facility, water utility and facility improvements and grant-funded roadway widening projects. The budget for fiscal year 2018-19 continues to place emphasis on achieving the goals identified in the Town's adopted Strategic Plan, which was recently updated in fiscal year 2016-17 and includes the following focus areas: economic development, complete community, parks and recreation, public safety, Town assets, water resources and energy, cultural resources, land use and design, transportation and cost of 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**

(This page intentionally left blank)

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

(This page intentionally left blank)

**TOWN OF ORO VALLEY, ARIZONA**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2018**

	Governmental Activities	Business-type Activities	Total
<b><u>ASSETS</u></b>			
Current assets:			
Cash and cash equivalents	\$ 28,169,386	\$ 26,128,626	\$ 54,298,012
Restricted cash and investments		924,000	924,000
Taxes receivable	956,856		956,856
Accounts receivable	552,833	2,768,083	3,320,916
Intergovernmental receivable	2,093,206		2,093,206
Special assessments	495,000		495,000
Inventories	102,133		102,133
Prepaid items	169,745	2,975	172,720
<b>Total current assets</b>	<u>32,539,159</u>	<u>29,823,684</u>	<u>62,362,843</u>
Noncurrent assets:			
Capital assets, non-depreciable	24,945,392	11,255,373	36,200,765
Capital assets, depreciable (net)	122,104,076	92,224,623	214,328,699
Net other postemployment benefit assets	198,685	14,594	213,279
<b>Total noncurrent assets</b>	<u>147,248,153</u>	<u>103,494,590</u>	<u>250,742,743</u>
<b>Total assets</b>	<u>179,787,312</u>	<u>133,318,274</u>	<u>313,105,586</u>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>			
Deferred charge on refunding		1,326,823	1,326,823
Pension and other postemployment benefit plan items	9,274,610	621,961	9,896,571
<b>Total deferred outflows of resources</b>	<u>9,274,610</u>	<u>1,948,784</u>	<u>11,223,394</u>
<b><u>LIABILITIES</u></b>			
Current liabilities:			
Accounts payable	2,432,468	679,402	3,111,870
Accrued wages and benefits	1,469,385	109,570	1,578,955
Intergovernmental payable	169,895	1,357,328	1,527,223
Interest payable		528,491	528,491
Unearned revenue	997,818	924,000	1,921,818
Customer deposits payable	234,075	751,348	985,423
Other accrued liabilities	670,505		670,505
Compensated absences	1,692,038	227,710	1,919,748
Capital leases payable	204,674		204,674
Notes, loans and bonds payable	918,772	4,544,923	5,463,695
<b>Total current liabilities</b>	<u>8,789,630</u>	<u>9,122,772</u>	<u>17,912,402</u>
Noncurrent liabilities:			
Non-current portion of long-term obligations	48,458,901	35,445,781	83,904,682
<b>Total noncurrent liabilities</b>	<u>48,458,901</u>	<u>35,445,781</u>	<u>83,904,682</u>
<b>Total liabilities</b>	<u>57,248,531</u>	<u>44,568,553</u>	<u>101,817,084</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Pension and other postemployment benefit plan items	1,660,960	265,122	1,926,082
<b><u>NET POSITION</u></b>			
Net investment in capital assets	137,311,856	69,036,006	206,347,862
Restricted for:			
Public safety	406,104		406,104
Capital outlay	3,921,928		3,921,928
Debt service	96,212		96,212
Unrestricted	(11,583,669)	21,397,377	9,813,708
<b>Total net position</b>	<u>\$ 130,152,431</u>	<u>\$ 90,433,383</u>	<u>\$ 220,585,814</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, 2018**

<b>Functions/Programs</b>	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions		
<b>Primary Government</b>					
Governmental activities:					
General government	\$ 12,639,867	\$ 5,084,396	\$ 184,510		\$ (7,370,961)
Public safety	17,683,197	128,651	800,547	133,678	(16,620,321)
Highway and streets	7,505,589	1,039,542	2,612,204	5,396,153	1,542,310
Transit	1,505,341	119,536	1,339,272		(46,533)
Culture and recreation	10,111,731	5,096,804	13,395		(5,001,532)
Interest on long-term debt	350,404				(350,404)
Total governmental activities	<u>49,796,129</u>	<u>11,468,929</u>	<u>4,949,928</u>	<u>5,529,831</u>	<u>(27,847,441)</u>
Business-type activities:					
Water	15,568,288	19,455,685		870,920	
Stormwater drainage	1,190,898	1,386,278			
Total business-type activities	<u>16,759,186</u>	<u>20,841,963</u>		<u>870,920</u>	
<b>Total primary government</b>	<u>\$ 66,555,315</u>	<u>\$ 32,310,892</u>	<u>\$ 4,949,928</u>	<u>\$ 6,400,751</u>	<u>(27,847,441)</u>
<b>General revenues:</b>					
Taxes:					
Sales taxes					21,664,398
Franchise taxes					656,664
Unrestricted state shared revenues					11,577,834
Investment earnings					74,542
<b>Transfers</b>					<u>2,847</u>
<b>Total general revenues and transfers</b>					<u>33,976,285</u>
<b>Changes in net position</b>					6,128,844
<b>Net position, beginning of year</b>					<u>124,023,587</u>
<b>Net position, end of year</b>					<u>\$ 130,152,431</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
\$	\$ (7,370,961)
	(16,620,321)
	1,542,310
	(46,533)
	(5,001,532)
	(350,404)
	(27,847,441)
	4,758,317
	195,380
	4,953,697
	4,953,697
	21,664,398
	656,664
	11,577,834
	80,458
	5,916
	(2,847)
	3,069
	33,979,354
	4,956,766
	11,085,610
	85,476,617
	209,500,204
\$	\$ 220,585,814
	90,433,383

(This page intentionally left blank)

**FUND FINANCIAL STATEMENTS**

**TOWN OF ORO VALLEY, ARIZONA**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2018**

	General Fund	Community Center	Non-Major Governmental Funds
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 17,182,389	\$ 102,049	\$ 8,566,878
Taxes receivable	956,856		
Accounts receivable	376,067	117,957	58,809
Intergovernmental receivable	338,746		1,754,460
Special assessments			495,000
Due from other funds	138,019		
Inventories		102,133	
Prepaid items	141,676	28,069	
<b>Total assets</b>	<b>\$ 19,133,753</b>	<b>\$ 350,208</b>	<b>\$ 10,875,147</b>
 <b><u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u></b>			
Liabilities:			
Accounts payable	\$ 881,858	\$ 70,116	\$ 1,395,532
Accrued wages and benefits	1,414,506		54,879
Intergovernmental payable	169,895		
Sales tax payable	187,706		
Unearned revenue	278,071	156,185	563,562
Due to other funds			138,019
Customer deposits payable	234,075		
Other accrued liabilities		195,470	
<b>Total liabilities</b>	<b>3,166,111</b>	<b>421,771</b>	<b>2,151,992</b>
Deferred inflows of resources:			
Unavailable revenues - special assessments			495,000
Fund balances (deficits):			
Nonspendable	141,676	130,202	
Restricted			4,424,244
Committed			1,594,293
Assigned	1,441,862		2,209,618
Unassigned	14,384,104	(201,765)	
<b>Total fund balances</b>	<b>15,967,642</b>	<b>(71,563)</b>	<b>8,228,155</b>
 <b>Total liabilities, deferred inflows of resources and fund balances</b>	 <b>\$ 19,133,753</b>	 <b>\$ 350,208</b>	 <b>\$ 10,875,147</b>

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

Total  
Governmental  
Funds

\$ 25,851,316  
956,856  
552,833  
2,093,206  
495,000  
138,019  
102,133  
169,745  
\$ 30,359,108

\$ 2,347,506  
1,469,385  
169,895  
187,706  
997,818  
138,019  
234,075  
195,470  
5,739,874

495,000

271,878  
4,424,244  
1,594,293  
3,651,480  
14,182,339  
24,124,234

\$ 30,359,108

(This page intentionally left blank)

**TOWN OF ORO VALLEY, ARIZONA**  
**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2018**

<b>Total governmental fund balances</b>		<b>\$ 24,124,234</b>
<p>Amounts reported for <i>governmental activities</i> in the Statement of Net Position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>		
Governmental capital assets	\$ 261,977,072	
Less accumulated depreciation	<u>(114,927,604)</u>	147,049,468
<p>Special assessments receivable are not available to pay for current period expenditures and, therefore, are reported as unavailable revenues in the funds.</p>		
		495,000
<p>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.</p>		
		(11,118)
<p>Deferred outflows and inflows of resources related to pensions/OPEB are applicable to future periods and, therefore, are not reported in the funds.</p>		
Deferred outflows of resources related to pensions/OPEB	9,259,263	
Deferred inflows of resources related to pensions/OPEB	<u>(1,654,419)</u>	7,604,844
<p>The Net OPEB asset is not a current financial resource and, therefore, is not reported in the funds.</p>		
		198,325
<p>The Internal Service Fund is used by management to charge the cost of insurance to the individual funds. The assets and liabilities of the Internal Service Fund are included in the Statement of Net Position.</p>		
		1,850,617
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.</p>		
Special assessment bonds	(490,000)	
Compensated absences payable	(2,169,279)	
Obligations under capital leases	(458,744)	
Net OPEB liability	(35,755)	
Net pension liability	(39,227,325)	
Revenue bonds payable	<u>(8,777,836)</u>	<u>(51,158,939)</u>
<b>Net position of governmental activities</b>		<b>\$ <u>130,152,431</u></b>

**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, 2018**

	<u>General Fund</u>	<u>Community Center</u>	<u>Non-Major Governmental Funds</u>
<b>Revenues:</b>			
Sales taxes	\$ 17,961,199	\$ 2,330,941	\$ 1,372,258
Franchise taxes	656,664		
Development impact fees			1,346,402
Special assessments			175,854
Intergovernmental	13,740,676		7,893,467
Licenses, fees & permits	2,634,574		45,116
Fines, forfeitures & penalties	131,831		397,856
Charges for services	2,217,259	4,382,588	
Contributions and donations			133,928
Investment earnings			74,542
Other	390,030	963	185,977
<b>Total revenues</b>	<u>37,732,233</u>	<u>6,714,492</u>	<u>11,625,400</u>
<b>Expenditures:</b>			
Current -			
General government	11,070,844		927,742
Public safety	16,551,778		180,185
Highway and streets			3,092,143
Transit	1,536,294		
Culture and recreation	3,174,753	6,224,845	
Capital outlay	569,014	45,464	9,466,949
Debt service -			
Principal retirement	44,134	215,802	1,044,290
Interest and fiscal charges	1,320	36,831	318,510
<b>Total expenditures</b>	<u>32,948,137</u>	<u>6,522,942</u>	<u>15,029,819</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>4,784,096</u>	<u>191,550</u>	<u>(3,404,419)</u>
<b>Other financing sources (uses):</b>			
Transfers in	305,000		3,037,890
Transfers out	(2,524,668)	(165,956)	(949,419)
<b>Total other financing sources (uses)</b>	<u>(2,219,668)</u>	<u>(165,956)</u>	<u>2,088,471</u>
<b>Changes in fund balances</b>	<u>2,564,428</u>	<u>25,594</u>	<u>(1,315,948)</u>
<b>Fund balances (deficits), beginning of year</b>	13,403,214	(97,157)	9,544,103
<b>Fund balances (deficits), end of year</b>	<u>\$ 15,967,642</u>	<u>\$ (71,563)</u>	<u>\$ 8,228,155</u>

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

Total  
Governmental  
Funds

---

\$ 21,664,398  
656,664  
1,346,402  
175,854  
21,634,143  
2,679,690  
529,687  
6,599,847  
133,928  
74,542  
576,970  

---

56,072,125

11,998,586  
16,731,963  
3,092,143  
1,536,294  
9,399,598  
10,081,427

1,304,226  
356,661  

---

54,500,898

---

1,571,227

3,342,890  

---

(3,640,043)  

---

(297,153)

---

1,274,074

22,850,160

---

---

\$ 24,124,234

(This page intentionally left blank)

**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, 2018**

**Changes in fund balances - total governmental funds** **\$ 1,274,074**

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	\$ 9,166,358	
Less current year depreciation	<u>(9,355,784)</u>	(189,426)

Donated items are not reported in the governmental funds. However, in the Statement of Activities, the costs of those assets are reported as capital grants and contributions. 3,345,233

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. (149,999)

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.

Capital lease principal retirement	257,878	
Note payable principal retirement	350,000	
Revenue bond principal retirement	544,290	
Special assessment bond principal retirement	<u>150,000</u>	1,302,168

Governmental funds report pension/OPEB contributions as expenditures. However, they are reported as deferred outflows of resources in the Statement of Net Position. The change in the net pension/OPEB liability, adjusted for deferred items, is reported as pension/OPEB expense in the Statement of Activities.

Current year pension/OPEB contributions	3,772,150	
Pension/OPEB expense	<u>(5,373,179)</u>	(1,601,029)

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.

Judgments	1,087,345	
Loss on disposal of assets	(874)	
Amortization of deferred bond items	8,315	
Compensated absences	<u>(131,327)</u>	963,459

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. 1,184,364

**Changes in net position in governmental activities** **\$ 6,128,844**

**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, 2018**

	Enterprise Funds		
	Water	Non-Major Enterprise Funds	Totals
<b><u>ASSETS</u></b>			
Current assets:			
Cash and cash equivalents	\$ 25,347,879	\$ 780,747	\$ 26,128,626
Restricted cash and investments	924,000		924,000
Accounts receivable	2,583,219	184,864	2,768,083
Prepaid items	2,975		2,975
<b>Total current assets</b>	<u>28,858,073</u>	<u>965,611</u>	<u>29,823,684</u>
Noncurrent assets:			
Capital assets, non-depreciable	11,255,373		11,255,373
Capital assets, depreciable (net)	89,178,564	3,046,059	92,224,623
Net other postemployment benefit assets	12,029	2,565	14,594
<b>Total noncurrent assets</b>	<u>100,445,966</u>	<u>3,048,624</u>	<u>103,494,590</u>
<b>Total assets</b>	<u>129,304,039</u>	<u>4,014,235</u>	<u>133,318,274</u>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>			
Deferred charge on refunding	1,326,823		1,326,823
Pension and other postemployment benefit plan items	512,671	109,290	621,961
<b>Total deferred outflows of resources</b>	<u>1,839,494</u>	<u>109,290</u>	<u>1,948,784</u>
<b><u>LIABILITIES</u></b>			
Current liabilities:			
Accounts payable	572,604	106,798	679,402
Accrued wages and benefits	88,065	21,505	109,570
Intergovernmental payable	1,357,328		1,357,328
Interest payable	528,491		528,491
Unearned revenue	924,000		924,000
Customer deposits payable	751,348		751,348
Compensated absences	215,031	12,679	227,710
Loans payable	611,695		611,695
Bonds payable	3,933,228		3,933,228
Claims payable			
<b>Total current liabilities</b>	<u>8,981,790</u>	<u>140,982</u>	<u>9,122,772</u>
Noncurrent liabilities:			
Non-current portion of long-term obligations	34,993,129	452,652	35,445,781
<b>Total noncurrent liabilities</b>	<u>34,993,129</u>	<u>452,652</u>	<u>35,445,781</u>
<b>Total liabilities</b>	<u>43,974,919</u>	<u>593,634</u>	<u>44,568,553</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Pension and other postemployment benefit plan items	218,535	46,587	265,122
<b><u>NET POSITION</u></b>			
Net investment in capital assets	65,989,947	3,046,059	69,036,006
Unrestricted	20,960,132	437,245	21,397,377
<b>Total net position</b>	<u>\$ 86,950,079</u>	<u>\$ 3,483,304</u>	<u>\$ 90,433,383</u>

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

Governmental  
Activities:  
Internal Service  
Funds

---

\$ 2,318,070

---

2,318,070

---

360

360

---

2,318,430

---

15,347

---

15,347

---

84,962

287,329

---

372,291

---

104,328

104,328

---

476,619

---

---

6,541

---

1,850,617

---

\$ 1,850,617

---

**TOWN OF ORO VALLEY, ARIZONA**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Enterprise Funds		
	Water	Non-Major Enterprise Funds	Totals
<b>Operating revenues:</b>			
Charges for services	\$ 16,998,711	\$ 1,385,811	\$ 18,384,522
Other	2,754	467	3,221
Self insurance premiums			
<b>Total operating revenues</b>	<u>17,001,465</u>	<u>1,386,278</u>	<u>18,387,743</u>
<b>Operating expenses:</b>			
Costs of sales and services	10,829,298	1,020,935	11,850,233
Contractual services	41,132		41,132
Depreciation and amortization	3,565,217	160,557	3,725,774
Claims payments			
Administrative			
Reinsurance premiums			
<b>Total operating expenses</b>	<u>14,435,647</u>	<u>1,181,492</u>	<u>15,617,139</u>
<b>Operating income (loss)</b>	<u>2,565,818</u>	<u>204,786</u>	<u>2,770,604</u>
<b>Nonoperating revenues (expenses):</b>			
Development impact fees	1,638,175		1,638,175
Connection fees	816,045		816,045
Investment earnings		5,916	5,916
Interest expense	(1,132,641)	(9,406)	(1,142,047)
<b>Total nonoperating revenues (expenses)</b>	<u>1,321,579</u>	<u>(3,490)</u>	<u>1,318,089</u>
<b>Income (loss) before transfers</b>	<u>3,887,397</u>	<u>201,296</u>	<u>4,088,693</u>
<b>Capital contributions</b>	870,920		870,920
<b>Transfers in</b>			
<b>Transfers out</b>	<u>(2,847)</u>		<u>(2,847)</u>
<b>Changes in net position</b>	<u>4,755,470</u>	<u>201,296</u>	<u>4,956,766</u>
<b>Total net position, beginning of year</b>	82,194,609	3,282,008	85,476,617
<b>Total net position, end of year</b>	<u>\$ 86,950,079</u>	<u>\$ 3,483,304</u>	<u>\$ 90,433,383</u>

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

Governmental  
Activities:  
Internal Service  
Funds

---

\$ 1,235,167  
82,429  
3,592,298  
4,909,894

1,283,097

1,985,456  
99,949  
657,028  
4,025,530

884,364

---

---

884,364

300,000

---

1,184,364

666,253

---

\$ 1,850,617

**TOWN OF ORO VALLEY, ARIZONA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Enterprise Funds		
	Water	Non-Major Enterprise Funds	Total
<b><u>Increase (Decrease) in Cash and Cash Equivalents</u></b>			
Cash flows from operating activities:			
Cash received from customers	\$ 17,002,164	\$ 1,385,062	\$ 18,387,226
Cash received from premiums			
Cash payments to suppliers for goods and services	(7,730,661)	(381,438)	(8,112,099)
Cash payments to employees for services	(3,113,626)	(653,554)	(3,767,180)
Cash payments for claims			
<b>Net cash provided by (used for) operating activities</b>	<b>6,157,877</b>	<b>350,070</b>	<b>6,507,947</b>
Cash flows from noncapital and related financing activities:			
Interfund transfers	(2,847)		(2,847)
Connection fees	816,045		816,045
<b>Net cash provided by (used for) noncapital financing activities</b>	<b>813,198</b>		<b>813,198</b>
Cash flows from capital and related financing activities:			
Development impact fees	1,638,175		1,638,175
Acquisition of capital assets	(1,719,910)	(143,515)	(1,863,425)
Principal paid on long-term debt	(3,201,244)	(40,814)	(3,242,058)
Interest on long-term debt	(1,064,559)	(9,844)	(1,074,403)
<b>Net cash provided by (used for) capital and related financing activities</b>	<b>(4,347,538)</b>	<b>(194,173)</b>	<b>(4,541,711)</b>
Cash flows from investing activities:			
Investment income		5,916	5,916
<b>Net cash provided by (used for) investing activities</b>		<b>5,916</b>	<b>5,916</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>2,623,537</b>	<b>161,813</b>	<b>2,785,350</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>22,724,342</b>	<b>618,934</b>	<b>23,343,276</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 25,347,879</b>	<b>\$ 780,747</b>	<b>\$ 26,128,626</b>
<b><u>Reconciliation of Operating Income (Loss) to</u></b>			
<b><u>Net Cash Provided by (Used for) Operating Activities</u></b>			
<b>Operating income (loss)</b>	<b>\$ 2,565,818</b>	<b>\$ 204,786</b>	<b>\$ 2,770,604</b>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation and amortization	3,565,217	160,557	3,725,774
Change in assets and liabilities:			
Accounts receivable	(82,654)	(1,216)	(83,870)
Accounts payable	(15,340)	(17,470)	(32,810)
Claims payable			
Accrued payroll and related benefits	27,364	11,112	38,476
Deposits held for others	83,353		83,353
Pension/OPEB items	14,119	(7,699)	6,420
<b>Total adjustments</b>	<b>3,592,059</b>	<b>145,284</b>	<b>3,737,343</b>
<b>Net cash provided by (used for) operating activities</b>	<b>\$ 6,157,877</b>	<b>\$ 350,070</b>	<b>\$ 6,507,947</b>
<b><u>Non-cash capital and financing activities</u></b>			
Contribution of assets from developers	\$ 870,920		\$ 870,920

Governmental  
Activities

Internal Service  
Funds

\$ 1,317,596  
3,592,298  
(1,953,999)  
(94,461)  
(2,021,204)  
840,230

300,000

300,000

1,140,230

1,177,840

\$ 2,318,070

\$ 884,364

(7,241)  
(35,748)

(1,145)

(44,134)

\$ 840,230

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**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, 2018, the Town implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement requires governments providing defined benefit postemployment benefits other than pensions to recognize the long-term obligation for those benefits as a liability, and to more comprehensively and comparably measure the annual costs of those benefits. This Statement also enhances accountability and transparency through revised note disclosures and new required supplementary information. The more significant of the Town's accounting policies are described below.

**A. Reporting Entity**

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

The financial reporting entity consists of a primary government and its component units. A component unit is a legally separate entity that must be included in the reporting entity in conformity with generally accepted accounting principles. The Town is a primary government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. Furthermore, there are no component units combined with the Town for financial statement presentation purposes, and the Town is 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.

**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.

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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.

**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.

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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, development services, 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.

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 Center, including golf, tennis, food and beverage and fitness revenues and expenditures. This fund also accounts for the half cent sales taxes revenues dedicated to these operations.

The Town reports the following major proprietary funds.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's internal service fund are charges for health benefits and charges to user departments for fleet maintenance services. The principal operating revenues of the Town's enterprise fund are charges to customers for water and stormwater drainage services. Operating expenses for these funds include the cost of sales and services, administrative expenses, depreciation, and amortization. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**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.

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.

**TOWN OF ORO VALLEY, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**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.

**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. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition 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.

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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.

**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 and Other Postemployment Benefits**

For purposes of measuring the net pension and other postemployment benefit (OPEB) assets and liabilities, related deferred outflows of resources and deferred inflows of resources, and related expenses, information about the pension and OPEB plans' fiduciary net position and additions to/deductions from the plans' 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, 2018**

**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**

**Individual Deficit Fund Balance** – At year end, the Community Center Fund, a major governmental fund, reported a deficit in fund balance of \$71,563. The deficit arose because of operations during prior years. Additional revenues received in fiscal year 2018-19 are expected to eliminate the deficit.

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

**NOTE 3 – FUND BALANCE CLASSIFICATIONS**

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

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 3 – FUND BALANCE CLASSIFICATIONS**

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

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

***Committed.*** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action of the Town Council through the approval of a Town resolution. Those committed amounts cannot be used for any other purpose unless the Town Council removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. The committed fund balance reported in the Bed Tax Fund is to be used for local economic development purposes. The committed fund balance reported in the Highway User Revenue Fund is to be used for roadway maintenance and preservation purposes. The committed fund balance reported in the Townwide Facilities Projects Fund is used for improvements to Town parks. 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, 2018**

**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	\$	\$	\$
Prepaid items	141,676	102,133	28,069
Restricted:			
Debt service			96,212
Capital projects			3,921,928
Public safety			406,104
Committed			
Economic development			617,856
Roadway maintenance			960,719
Park improvements			15,718
Assigned:			
Compensated absences	1,244,471		
Unemployment claims	197,391		
Townwide capital			2,209,618
Unassigned	14,384,104	(201,765)	
Total fund balances	\$ 15,967,642	\$ (71,563)	\$ 8,228,155

**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 as an investment company 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, 2018**

**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 \$2,160,656 and the bank balance was \$1,502,834.

*Fair Value Measurements.* The Town 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

*Valuation Techniques.* Equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the of the fair value hierarchy are valued using a matrix pricing techniques. Matrix pricing is used to value securities based on the securities’ relationship to benchmark quoted prices.

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 4 – CASH AND INVESTMENTS**

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:

<u>Investment Type</u>	<u>Category</u>	<u>Fair Value</u>	<u>Investments Maturities</u> <u>(in Years)</u>	
			<u>Less than 1</u>	<u>1-5</u>
Money Market - U.S. Treasuries	Level 2	\$ 3,672,828	\$ 3,672,828	\$
Commercial Paper	Level 2	3,367,253	3,367,253	
Asset-Backed Securities	Level 2	1,316,656	1,316,656	
U.S Treasury Bonds/Notes	Level 2	20,878,604		20,878,604
U.S. Agencies Bonds/Notes	Level 2	10,012,693		10,012,693
Corporate Notes	Level 2	3,625,098		3,625,098
Supranational Agency Bonds	Level 2	4,430,685		4,430,685
			<u>\$ 8,356,737</u>	<u>\$ 38,947,080</u>
County Treasurer’s investment pool	Not Applicable	542,458	270 days average maturities	
State Treasurer’s investment pool 5	Not Applicable	<u>5,208,331</u>	33 days average maturities	
Total		<u>\$ 53,054,606</u>		

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

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

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

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

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 4 – CASH AND INVESTMENTS**

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. Of the Town’s remaining investments, 97 percent were rated A/A-1 or higher.

*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 and FNMA notes, which make up 7 and 10 percent of the Town’s total investments.

**NOTE 5 – RECEIVABLES**

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

	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>
Intergovernmental receivables:		
Due from federal government	\$ 75,516	\$
Due from state government	237,680	301,333
Due from other governments	25,550	1,453,127
Net intergovernmental receivables	<u>\$ 338,746</u>	<u>\$ 1,754,460</u>

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 6 – CAPITAL ASSETS**

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

<u>Governmental Activities</u>	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 19,518,801	\$	\$	\$ 19,518,801
Construction in progress	9,248,205	6,420,492	10,242,106	5,426,591
Total capital assets, not being depreciated	<u>28,767,006</u>	<u>6,420,492</u>	<u>10,242,106</u>	<u>24,945,392</u>
Capital assets, being depreciated:				
Infrastructure	173,893,147	11,875,148		185,768,295
Buildings and improvements	30,461,644	3,557,942		34,019,586
Machinery, equipment, and vehicles	16,611,079	900,115	267,395	17,243,799
Total capital assets being depreciated	<u>220,965,870</u>	<u>16,333,205</u>	<u>267,395</u>	<u>237,031,680</u>
Less accumulated depreciation for:				
Infrastructure	(86,939,177)	(6,775,408)		(93,714,585)
Buildings and improvements	(7,257,274)	(835,576)		(8,092,850)
Machinery, equipment, and vehicles	(11,641,890)	(1,744,800)	(266,521)	(13,120,169)
Total accumulated depreciation	<u>(105,838,341)</u>	<u>(9,355,784)</u>	<u>(266,521)</u>	<u>(114,927,604)</u>
Total capital assets, being depreciated, net	<u>115,127,529</u>	<u>6,977,421</u>	<u>874</u>	<u>122,104,076</u>
Governmental activities capital assets, net	<u>\$ 143,894,535</u>	<u>\$ 13,397,913</u>	<u>\$10,242,980</u>	<u>\$ 147,049,468</u>
<u>Business-Type Activities</u>	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 2,410,660	\$	\$	\$ 2,410,660
Water rights	8,534,490			8,534,490
Construction in progress	921,300	898,546	1,509,623	310,223
Total capital assets, not being depreciated	<u>11,866,450</u>	<u>898,546</u>	<u>1,509,623</u>	<u>11,255,373</u>
Capital assets, being depreciated:				
Water system	130,279,801	2,935,630		133,215,431
Stormwater system	2,846,177	110,818		2,956,995
Equipment and vehicles	5,520,902	298,977	67,721	5,752,158
Total capital assets being depreciated	<u>138,646,880</u>	<u>3,345,425</u>	<u>67,721</u>	<u>141,924,584</u>
Less accumulated depreciation for:				
Water system	(41,960,774)	(3,187,046)		(45,147,820)
Stormwater system	(432,602)	(60,810)		(493,412)
Equipment and vehicles	(3,801,733)	(324,717)	(67,721)	(4,058,729)
Total accumulated depreciation	<u>(46,195,109)</u>	<u>(3,572,573)</u>	<u>(67,721)</u>	<u>(49,699,961)</u>
Total capital assets, being depreciated, net	<u>92,451,771</u>	<u>(227,148)</u>		<u>92,224,623</u>
Business-type activities capital assets, net	<u>\$ 104,318,221</u>	<u>\$ 671,398</u>	<u>\$ 1,509,623</u>	<u>\$ 103,479,996</u>

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 6 – CAPITAL ASSETS**

Depreciation expense was charged to functions/programs as follows:

Governmental activities:		
General government	\$	920,977
Public Safety		737,702
Highways and streets		6,916,244
Culture and recreation		<u>780,861</u>
Total depreciation expense – governmental activities		<u>\$ 9,355,784</u>
Business-type activities:		
Water	\$	3,412,016
Stormwater		<u>160,557</u>
Total depreciation expense – business-type activities		<u>\$ 3,572,573</u>

**Construction Commitments** – As of year end, the Town was involved in several construction projects. The estimated cost to complete the construction projects is \$33.8 million.

**NOTE 7 – LOANS PAYABLE**

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

Business-type activities:	Interest Rate (Including Fees)	Remaining Maturities	Outstanding Principal June 30, 2018	Due Within One Year
WIFA Loan, 2007	2.04%	7/1/18-27	\$ 2,613,310	\$ 222,392
WIFA Loan, 2009	2.75%	7/1/18-29	1,484,834	103,736
WIFA Loan, 2014	2.65%	7/1/18-25	<u>3,592,730</u>	<u>285,567</u>
Total			<u>\$ 7,690,874</u>	<u>\$ 611,695</u>

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 7 – LOANS PAYABLE**

Principal and interest payments on the business-type activities loans payable at June 30, 2018 are summarized as follows:

Year ending June 30:	Business-type Activities	
	Principal	Interest
2019	\$ 611,695	\$ 225,134
2020	630,420	206,387
2021	649,730	186,780
2022	669,642	166,557
2023	690,175	145,705
2024-28	3,781,991	225,167
2029-30	657,221	11,750
Total	<u>\$ 7,690,874</u>	<u>\$ 1,167,480</u>

**NOTE 8 – BONDS PAYABLE**

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

Purpose	Original Amount Issued	Interest Rates	Remaining Maturities	Outstanding Principal June 30, 2018	Due Within One Year
<b>Governmental activities:</b>					
Excise Tax Revenue Obligations, 2010 Revenue Bonds, 2012 Refunding Excise Tax Revenue	\$ 2,445,000	5.18-6.59%	7/1/18-27	\$ 1,510,000	\$ 140,000
Obligations, 2015	2,580,000	3.50-4.00%	7/1/18-27	1,885,000	160,000
Excise Tax Revenue Obligations, 2016 Refunding Excise Tax Revenue	2,529,250	1.91%	7/1/18-25	2,267,280	265,990
Obligations, 2017	2,000,000	2.20%	7/1/18-31	2,000,000	91,000
Total	1,115,556	2.43%	7/1/18-26	<u>1,115,556</u>	<u>106,782</u>
				<u>\$ 8,777,836</u>	<u>\$ 763,772</u>

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 8 – BONDS PAYABLE**

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

Year ending June 30:	Governmental Activities	
	Principal	Interest
2019	\$ 763,772	\$ 264,898
2020	800,102	240,975
2021	827,590	215,959
2022	853,836	189,970
2023	884,160	162,849
2024-28	3,988,376	392,810
2029-32	660,000	36,674
<b>Total</b>	<b>\$ 8,777,836</b>	<b>\$ 1,504,135</b>

Purpose	Original Amount Issued	Interest Rates	Remaining Maturities	Outstanding Principal June 30, 2018	Due Within One Year
<b>Business-type activities:</b>					
Refunding Revenue Bonds, 2012	\$ 16,595,000	3.00-5.00%	7/1/18-28	\$ 10,605,000	\$ 1,545,000
Refunding Revenue Bonds, 2013	6,355,000	1.45%	7/1/18-19	2,005,000	995,000
Refunding Revenue Bonds, 2015	1,245,750	1.91%	7/1/18-25	1,116,720	131,010
Refunding Revenue Bonds, 2017	13,186,444	2.43%	7/1/18-26	13,186,444	1,262,218
<b>Total</b>				<b>\$ 26,913,164</b>	<b>\$ 3,933,228</b>

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
2019	\$ 3,933,228	\$ 767,514
2020	4,116,898	655,490
2021	3,201,410	546,549
2022	3,303,164	432,927
2023	3,425,840	306,340
2024-28	8,567,624	530,951
2029	365,000	6,159
<b>Total</b>	<b>\$ 26,913,164</b>	<b>\$ 3,245,930</b>

**TOWN OF ORO VALLEY, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 8 – BONDS PAYABLE**

**Pledged revenues – governmental activities.** The Town has pledged future sales (excise) tax revenues to repay outstanding revenue bonds and refunding revenue bonds of \$8.8 million as of June 30, 2018. 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 2032. Total annual principal and interest payments for all sales tax revenue bonds are expected to require less than seven percent of gross revenues. The total principal and interest to be paid on the bonds is \$10.3 million. The current total sales tax revenues were \$21.7 million and the total principal and interest paid on the bonds was \$824,460 or four 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 \$26.9 million as of June 30, 2018. 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 \$30.2 million. The current total customer gross revenues were \$19.5 million and the total principal and interest paid on the bonds was \$3.5 million or 18 percent of gross revenues.

**NOTE 9 – SPECIAL ASSESSMENT BONDS**

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

<u>Purpose</u>	<u>Original Amount Issued</u>	<u>Interest Rates</u>	<u>Remaining Maturities</u>	<u>Outstanding Principal June 30, 2018</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Special assessments debt	\$3,945,000	4.60-4.75%	1/1/19-21	\$ 490,000	\$ 155,000

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

Year ending June 30:	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 155,000	\$ 19,428
2020	165,000	11,912
2021	170,000	4,038
Total	<u>\$ 490,000</u>	<u>\$ 35,378</u>

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**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	467,035
Total	\$ 874,523

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

	Governmental Activities
Year Ending June 30:	
2019	\$ 216,133
2020	213,008
2021	46,470
Total minimum lease payments	475,611
Less: amount representing interest	16,867
Present value of minimum lease payments	\$ 458,744
Due within one year	\$ 204,674

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Revenue bonds payable	\$ 9,322,126	\$	\$ 544,290	\$ 8,777,836	\$ 763,772
Deferred bond premium	19,433		8,315	11,118	
Total bonds payable	<u>9,341,559</u>		<u>552,605</u>	<u>8,788,954</u>	<u>763,772</u>
Special assessments payable	640,000		150,000	490,000	155,000
Note payable	350,000		350,000		
Capital leases payable	716,622		257,878	458,744	204,674
Net pension liability	38,596,717	734,936		39,331,653	
Net OPEB liability		35,755		35,755	
Compensated absences payable	2,037,952	1,854,223	1,722,896	2,169,279	1,692,038
Governmental activity long-term liabilities	<u>\$ 51,682,850</u>	<u>\$ 2,624,914</u>	<u>\$ 3,033,379</u>	<u>\$ 51,274,385</u>	<u>\$ 2,815,484</u>
	<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	\$ 29,520,874	\$	\$ 2,607,710	\$ 26,913,164	\$ 3,933,228
Deferred bond premium	1,283,453		116,678	1,166,775	
Total bonds payable	<u>30,804,327</u>		<u>2,724,388</u>	<u>28,079,939</u>	<u>3,933,228</u>
Loan payable	8,284,407		593,533	7,690,874	611,695
Capital leases payable	40,814		40,814		
Net pension liability	4,218,909		125,956	4,092,953	
Net OPEB liability		9,631		9,631	
Compensated absences payable	312,139	258,605	225,727	345,017	227,710
Business-type activities long-term liabilities	<u>\$ 43,660,596</u>	<u>\$ 268,236</u>	<u>\$ 3,710,418</u>	<u>\$ 40,218,414</u>	<u>\$ 4,772,633</u>

**TOWN OF ORO VALLEY, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

At year end, interfund balances were as follows:

**Due to/from other funds:** At year end, the PAG/RTA Fund, a non-major governmental fund, had a negative cash balance of \$138,019. 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:**

	Transfers in			Total
	General Fund	Non-Major Governmental Funds	Internal Service Funds	
Transfers out				
General Fund	\$	\$ 2,224,668	\$ 300,000	\$ 2,524,668
Community Center Fund	120,000	45,956		165,956
Non-Major Governmental Funds	185,000	764,419		949,419
Water Fund		2,847		2,847
Total	<u>\$ 305,000</u>	<u>\$ 3,037,890</u>	<u>\$ 300,000</u>	<u>\$ 3,642,890</u>

Transfers were made from the General, Bed Tax, Community Center, and Water Funds to the Municipal Debt Service Fund for debt service. In addition, transfers were made from the General and General Impact Fees Funds to the General Government CIP Fund to fund capital projects. Transfers were made from the General Fund to the Self Insurance Fund to fund insurance claims. Finally, transfers were made from the Bed Tax and Community Center Funds to the General Fund to repay loaned amounts.

**NOTE 13 – CONTINGENT LIABILITIES**

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

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**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.

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
2017-18	\$ 323,077	\$ 1,985,456	\$ 2,021,204	\$ 287,329
2016-17	249,036	2,761,967	2,687,926	323,077

**TOWN OF ORO VALLEY, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

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

**Aggregate Amounts.** At June 30, 2018, the Town reported the following aggregate amounts related to pensions and other postemployment benefits (OPEB) for all plans to which it contributes.

	Governmental Activities	Business-type Activities	Total
Net pension and OPEB assets	\$ 198,685	\$ 14,594	\$ 213,279
Net pension and OPEB liability	39,367,408	4,102,584	43,469,992
Deferred outflows of resources	9,274,610	621,961	9,896,571
Deferred inflows of resources	1,660,960	265,122	1,926,082
Pension and OPEB expense	5,371,840	272,123	5,643,963

The Town reported \$4.1 million of pension and OPEB contributions as expenditures in the governmental funds related to all plans to which it contributes.

**A. Arizona State Retirement System**

**Plan Description.** Town employees 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  
JUNE 30, 2018**

**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.

Retired and disabled members, with at least five years of credited service, are eligible to receive health insurance premium benefits. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. For members with 10 or more years of service, benefits range from \$150 per month to \$260 per month depending on the age of the member and dependents. For members with five to nine years of service, the benefits are the same dollar amounts as above multiplied by a vesting fraction based on completed years of service.

**TOWN OF ORO VALLEY, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

Active members are eligible for a long-term disability benefit in the event they become unable to perform their work. The monthly benefit is equal to two-thirds of their monthly earnings. Members receiving benefits continue to earn service credit up to their normal retirement dates. Members with long-term disability commencement dates after June 30, 1999 are limited to 30 years of service or the service on record as of the effective disability date, if their service is greater than 30 years.

**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 11.50 percent (11.34 percent for retirement and 0.16 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 11.50 percent (10.90 percent for retirement, 0.44 percent for health insurance premium benefit, and 0.16 percent for long-term disability) of the active members’ annual covered payroll. The Town’s contributions for the year ended June 30, 2018 were as follows:

	Contributions
Pension	\$ 1,418,992
Health Insurance Premium	57,280
Long-Term Disability	20,829

Employers are also required to pay an Alternate Contribution Rate (ACR), for retired members who return to work in positions that would typically be filled by an employee who contributes to ASRS. The Town was required by statute to contribute at the actuarially determined rate of 9.49 percent (9.26 for retirement, 0.10 percent for health insurance premium benefit, and 0.13 percent for long-term disability). ACR contributions are included in employer contributions presented above.

The Town’s pension and OPEB contributions are paid by the same funds as the employee’s salary, with the largest component coming from the General Fund.

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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

**Pension and OPEB Assets/Liability.** The net pension and OPEB assets/liability were measured as of June 30, 2017. The total liability used to calculate the net assets or net liability was determined using update procedures to roll forward the total liability from an actuarial valuation as of June 30, 2016, to the measurement date of June 30, 2017. The Town’s proportion of the net assets/liability was based on the Town’s actual contributions to the applicable plan relative to the total of all participating employers’ contributions to the plan for the year ended June 30, 2017.

At June 30, 2018, the Town reported the following amounts for its proportionate share of the ASRS plans net assets/liability. In addition, at June 30, 2017, the Town’s percentage proportion for each plan and the related change from its proportion measured as of June 30, 2016 was:

	Net (Assets) Liability	District % Proportion	Increase (Decrease)
Pension	\$ 19,453,870	0.125	0.001
Health Insurance Premium	(68,769)	0.126	
Long-Term Disability	45,386	0.125	

**Pension/OPEB Expense and Deferred Outflows/Inflows of Resources.** The Town has deferred outflows and inflows of resources related to the net pension and OPEB assets/liability. Certain changes in the net pension and OPEB assets/liability are recognized as pension and OPEB expense over a period of time rather than the year of occurrence. For the year ended June 30, 2018, the Town recognized pension and OPEB expense as follows:

	Expense
Pension	\$ 1,217,908
Health Insurance Premium	40,222
Long-Term Disability	24,214

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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

The Town reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	Deferred Outflows of Resources		
	Pension	Health Insurance Premium	Long-Term Disability
Differences between expected and actual experience	\$	\$	\$
Changes of assumptions or other inputs	844,926		
Net difference between projected and actual earnings on pension investments	139,665		
Changes in proportion and differences between contributions and proportionate share of contributions	449,224		
Contributions subsequent to the measurement date	1,418,992	57,280	20,829
Total	\$ 2,852,807	\$ 57,280	\$ 20,829

	Deferred Inflows of Resources		
	Pension	Health Insurance Premium	Long-Term Disability
Differences between expected and actual experience	\$ 583,355	\$	\$
Changes of assumptions or other inputs	581,706		
Net difference between projected and actual earnings on pension investments		77,431	6,789
Changes in proportion and differences between contributions and proportionate share of contributions		83	6
Total	\$ 1,165,061	\$ 77,514	\$ 6,795

**TOWN OF ORO VALLEY, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

The amounts of deferred outflows of resources resulting from contributions subsequent to the measurement date as reported in the table above will be recognized as an adjustment of the net pension and OPEB assets/liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized in pension and OPEB expense as follows:

Year Ending June 30:	Pension	Health Insurance Premium	Long-Term Disability
2019	\$ (422,133)	\$ (19,376)	\$ (1,698)
2020	893,456	(19,376)	(1,698)
2021	244,949	(19,376)	(1,698)
2022	(447,497)	(19,376)	(1,698)
2023		(11)	(1)
Thereafter			(1)

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

	Pension	OPEB
Actuarial valuation date	June 30, 2016	June 30, 2016
Actuarial roll forward date	June 30, 2017	June 30, 2017
Actuarial cost method	Entry age normal	Entry age normal
Investment rate of return	8.0%	8.0%
Projected salary increases	3.0-6.75%	Not applicable
Inflation	3.0%	3.0%
Permanent base increases	Included	Not applicable
Mortality rates	1994 GAM Scale BB	1994 GAM Scale BB
Healthcare cost trend rate	Not applicable	Not applicable

The actuarial assumptions used in the June 30, 2016 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.

**TOWN OF ORO VALLEY, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

The long-term expected rate of return on ASRS plan investments was determined to be 8.70 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	58%	6.73%
Fixed income	25	3.70
Real estate	10	4.25
Multi-asset	5	3.41
Commodities	2	3.84
Total	100%	

**Discount Rate.** The discount rate used to measure the ASRS total pension and OPEB liability was 8.0 percent, which is less than the long-term expected rate of return of 8.70 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 plans’ 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 investments was applied to all periods of projected benefit payments to determine the total pension and OPEB liability.

**TOWN OF ORO VALLEY, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

**Sensitivity of the Proportionate Share of the Net Pension and OPEB Assets/Liability to Changes in the Discount Rate.** The following presents the Town’s proportionate share of the net pension and OPEB assets/liability calculated using the discount rate of 8.0 percent, as well as what the proportionate share of the net pension and OPEB assets/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:

	Proportionate share of the net (assets) liability		
		Current	
	1% Decrease	Discount Rate	1% Increase
Rate	7.0%	8.0%	9.0%
Pension	\$ 24,969,380	\$ 19,453,870	\$ 14,845,189
Health Insurance Premium	114,205	(68,769)	(224,265)
Long-Term Disability	54,270	45,386	37,853

**Pension and OPEB Plan Fiduciary Net Position.** Detailed information about the pension and OPEB 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).

**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 nine-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. The PSPRS Board of Trustees described above 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 a publicly available financial report that includes their financial statements and required supplementary information. The report is available on the PSPRS website at [www.psprs.com](http://www.psprs.com).

**TOWN OF ORO VALLEY, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

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

	Retirement Initial Membership Date:	
	Tier 1	Tier 2
Years of service and age required to receive benefit	20 years of service, any age 15 years of service, age 62	25 years or 15 years of credited service, age 52.5
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 60 consecutive 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%	1.5 % to 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% to 100% 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	

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

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. Benefits range from \$150 per month to \$260 per month depending on the age of the member and dependents.

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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

**Employees Covered by Benefit Terms.** At June 30, 2018, the following employees were covered by the agent plan’s benefit terms:

	PSPRS - Police		CORP - Dispatchers	
	Health		Health	
	Pension	Insurance	Pension	Insurance
Retirees and beneficiaries	36	36	5	5
Inactive, non-retired members	12	2	3	0
Active members	93	93	4	4
Total	141	131	12	9

**Contributions.** 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, 2018, are indicated below. Rates are a percentage of active members’ annual covered payroll.

	PSPRS - Police	CORP - Dispatchers
Active members – pension	7.65%	7.96%
<b>Town:</b>		
Pension	34.47%	43.63%
Health insurance	0.38%	

Employers are also required to pay an Alternate Contribution Rate (ACR), for retired members who return to work in positions that would typically be filled by an employee who contributes to PSPRS or CORP. The Town was required by statute to contribute at the actuarially determined rate of 18.86 percent for the PSPRS and 37.43 percent for the CORP. ACR contributions are included in employer contributions presented above.

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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

The contributions to the pension and OPEB plans for the year ended were:

	Contributions	
	PSPRS - Police	CORP - Dispatchers
Pension	\$ 2,485,191	\$ 87,996
Health insurance	27,397	

The Town’s pension and OPEB contributions are paid by the same funds as the employee’s salary, with the largest component coming from the General Fund.

**Pension and OPEB Assets/Liability.** At June 30, 2018, the Town reported the following assets and liabilities.

	Net (Assets) Liability	
	PSPRS - Police	CORP - Dispatchers
Pension	\$ 22,153,886	\$ 1,816,850
Health insurance	(128,078)	(16,431)

The net pension and OPEB assets/liability were measured as of June 30, 2017. The total liability used to calculate the net asset or liability was determined by an actuarial valuation as of that date. The total liability as of June 30, 2017, reflects changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016, including decreasing the investment rate of return from 7.5 percent to 7.4 percent, decreasing the wage inflation from 4.0 percent to 3.5 percent, and updating mortality, withdrawal, disability, and retirement assumptions.

**TOWN OF ORO VALLEY, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

**Actuarial Assumptions.** The significant actuarial assumptions used to measure the total pension/OPEB liability for both the PSPRS and CORP are as follows:

	Pension	OPEB
Actuarial valuation date	June 30, 2017	June 30, 2017
Actuarial cost method	Entry age normal	Entry age normal
Investment rate of return	7.4%	7.4%
Projected salary increases	3.5%	Not applicable
Inflation	2.5%	Not applicable
Permanent benefit increase	Included	Not applicable
Mortality rates	RP-2014 tables using MP-2016 improvement scale with adjustments to match current experience	RP-2014 tables using MP-2016 improvement scale with adjustments to match current experience
Healthcare cost trend rate	Not applicable	Not applicable

Actuarial assumptions used in the June 30, 2017, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

The long-term expected rate of return on PSPRS and CORP plan investments was determined to be 7.40 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Short-term investments	2%	0.25%
Absolute return	2	3.75
Risk parity	4	5.00
Fixed income	5	1.25
Real assets	9	4.52
GTAA	10	3.96
Private credit	12	6.75
Real estate	10	3.75
Credit opportunities	16	5.83
Non-U.S. equity	14	8.70
U.S. equity	16	7.60
Total	<u>100%</u>	

**TOWN OF ORO VALLEY, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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

**Changes in Net (Assets)/Liability**

	Pension Increase (Decrease)			Health Insurance Increase (Decrease)		
	Total (Assets) Liability	Plan Fiduciary Net Position	Net (Assets) Liability	Total (Assets) Liability	Plan Fiduciary Net Position	Net (Assets) Liability
<b>PSPRS - Police</b>						
Balances at June 30, 2017	\$ 48,414,270	\$ 27,010,103	\$ 21,404,167	\$ 1,108,855	\$ 1,057,826	\$ 51,029
Changes for the year:						
Service cost	1,638,736		1,638,736	26,772		26,772
Interest on the total liability	3,615,210		3,615,210	83,347		83,347
Changes of benefit terms	435,327		435,327	3,280		3,280
Differences between expected and actual experience in the measurement of the liability	247,905		247,905	(29,508)		(29,508)
Changes of assumptions or other inputs	747,786		747,786	(113,968)		(113,968)
Contributions – employer		1,811,735	(1,811,735)		25,271	(25,271)
Contributions – employee		905,024	(905,024)			-
Net investment income		3,228,386	(3,228,386)		124,864	(124,864)
Benefit payments, including refunds of employee contributions	(2,061,668)	(2,061,668)	-	(21,892)	(21,892)	-
Administrative expense		(28,966)	28,966		(1,105)	1,105
Other changes		19,066	(19,066)			-
Net changes	<u>4,623,296</u>	<u>3,873,577</u>	<u>749,719</u>	<u>(51,969)</u>	<u>127,138</u>	<u>(179,107)</u>
Balances at June 30, 2018	<u>\$ 53,037,566</u>	<u>\$ 30,883,680</u>	<u>\$ 22,153,886</u>	<u>\$ 1,056,886</u>	<u>\$ 1,184,964</u>	<u>\$ (128,078)</u>
<b>CORP - Dispatchers</b>						
Balances at June 30, 2017	\$ 2,524,360	\$ 1,163,258	\$ 1,361,102	\$ 48,337	\$ 63,294	\$ (14,957)
Changes for the year:						
Service cost	32,541		32,541	372		372
Interest on the total liability	185,568		185,568	3,505		3,505
Changes of benefit terms	395,457		395,457			-
Differences between expected and actual experience in the measurement of the liability	(12,524)		(12,524)	5,830		5,830
Changes of assumptions or other inputs	85,035		85,035	(3,921)		(3,921)
Contributions – employer		77,331	(77,331)			-
Contributions – employee		18,502	(18,502)			-
Net investment income		136,094	(136,094)		7,324	(7,324)
Benefit payments, including refunds of employee contributions	(132,788)	(132,788)	-	(3,567)	(3,567)	-
Administrative expense		(1,591)	1,591		(64)	64
Other changes		(8)	8			-
Net changes	<u>553,289</u>	<u>97,540</u>	<u>455,749</u>	<u>2,219</u>	<u>3,693</u>	<u>(1,474)</u>
Balances at June 30, 2018	<u>\$ 3,077,649</u>	<u>\$ 1,260,798</u>	<u>\$ 1,816,851</u>	<u>\$ 50,556</u>	<u>\$ 66,987</u>	<u>\$ (16,431)</u>

**TOWN OF ORO VALLEY, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

**Discount Rate.** At June 30, 2017, the discount rate used to measure the total pension and OPEB liability was 7.4 percent, which was a decrease of 0.1 percent from the discount rate used as of June 30, 2016.

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 rate and the member rate. Based on those assumptions, the plans’ 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 plan investments was applied to all periods of projected benefit payments for these plans to determine the total pension and OPEB liability.

**Sensitivity of the Net Pension and OPEB Assets (Liability) to Changes in the Discount Rate.** The following presents the Town’s net pension and OPEB assets (liability) calculated using the discount rates noted above, as well as what the net assets (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</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
<b>PSPRS - Police:</b>			
Rate	6.40%	7.40%	8.40%
Net pension (assets) liability	\$ 30,363,028	\$ 22,153,886	\$ 15,555,686
Net OPEB (assets) liability	12,522	(128,078)	(244,365)
<b>CORP - Dispatchers</b>			
Rate	6.40%	7.40%	8.40%
Net pension (assets) liability	\$ 2,218,704	\$ 1,816,850	\$ 1,488,656
Net OPEB (assets) liability	(11,368)	(16,431)	(20,749)

**Plan Fiduciary Net Position.** Detailed information about the plans’ fiduciary net position is available in the separately issued PSPRS and CORP financial report. The report is available on the PSPRS website at [www.psprs.com](http://www.psprs.com).

**TOWN OF ORO VALLEY, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

**Expense.** For the year ended June 30, 2018, the Town recognized the following as pension and OPEB expense:

	Expense	
	PSPRS - Police	CORP - Dispatchers
Pension	\$ 3,772,814	\$ 586,979
Health insurance	2,530	(706)

**Deferred Outflows/Inflows of Resources.** At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	Pension		Health Insurance	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
<b>PSPRS - Police:</b>				
Differences between expected and actual experience	\$ 874,073	\$ 494,883	\$	\$ 24,682
Changes of assumptions or other inputs	2,975,881			95,330
Net difference between projected and actual earnings on plan investments	376,560			36,354
Contributions subsequent to the measurement date	2,485,191		27,397	
Total	\$ 6,711,705	\$ 494,883	\$ 27,397	\$ 156,366
<b>CORP - Dispatchers</b>				
Differences between expected and actual experience	\$ 3,958	\$ 22,604	\$ 4,280	\$
Changes of assumptions or other inputs	114,111			2,878
Net difference between projected and actual earnings on plan investments	18,379			2,170
Contributions subsequent to the measurement date	87,996			
Total	\$ 224,444	\$ 22,604	\$ 4,280	\$ 5,048

**TOWN OF ORO VALLEY, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

The amounts of deferred outflows of resources resulting from contributions subsequent to the measurement date as reported in the table above will be recognized as an adjustment of the net pension and OPEB assets/liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized in pension and OPEB expense as follows:

Year Ending June 30:	PSPRS - Police		CORP - Dispatchers	
	Pension	Health Insurance	Pension	Health Insurance
2019	1,160,783	(32,552)	75,617	(36)
2020	1,387,631	(32,552)	41,257	(36)
2021	880,241	(32,552)	7,029	(155)
2022	194,250	(32,554)	(1,059)	(541)
2023	108,726	(23,464)		
Thereafter		(2,692)		

**NOTE 16 – TAX ABATEMENTS**

The Town enters into property tax abatement agreements with local businesses under A.R.S. §9-500.11. Under the statute, a city or town may enter into a retail development tax incentive agreement for the purpose of economic development activities. To be eligible, the tax incentive agreement must be expected to raise more revenue than the amount of the incentive within the duration of the agreement, and in the absence of a tax incentive, the retail business facility would not locate in the city or town in the same time, place or manner.

For the fiscal year ended June 30, 2018, the Town abated sales taxes totaling \$765,096. Of this amount, \$763,470 was a 45 percent sales tax abatement to a developer, for developing a regional lifestyle and entertainment retail shopping center to create additional jobs, generate additional sales tax revenue, and provide diverse commercial and retail service opportunities to the Town’s residents.

**NOTE 17 – SUBSEQUENT EVENT**

On October 23, 2018, the Town issued Excise Tax Revenue Obligations, Series 2018 in the amount of \$8.1 million, maturing on July 1, 2019 through 2033, with an average interest rate of 3.02 percent. The purpose of the bonds is to make improvements to the Town’s water utility infrastructure, and to construct a police evidence and substation facility.

**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, 2018**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
<b>Revenues:</b>			
Sales taxes	\$ 16,544,573	\$ 17,961,199	\$ 1,416,626
Franchise taxes	620,000	656,664	36,664
Intergovernmental	14,136,390	13,740,676	(395,714)
Licenses, fees & permits	2,063,121	2,634,574	571,453
Fines, forfeitures & penalties	120,000	131,831	11,831
Charges for services	2,210,453	2,217,259	6,806
Investment earnings	103,000		(103,000)
Other	233,000	390,030	157,030
<b>Total revenues</b>	<u>36,030,537</u>	<u>37,732,233</u>	<u>1,701,696</u>
<b>Expenditures:</b>			
Current -			
General government	11,183,855	11,070,844	113,011
Public safety	17,069,896	16,551,778	518,118
Transit	1,550,003	1,536,294	13,709
Culture and recreation	3,507,481	3,174,753	332,728
Capital outlay	569,014	569,014	
Debt service -			
Principal retirement	44,134	44,134	
Interest and fiscal charges	1,320	1,320	
<b>Total expenditures</b>	<u>33,925,703</u>	<u>32,948,137</u>	<u>977,566</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>2,104,834</u>	<u>4,784,096</u>	<u>2,679,262</u>
<b>Other financing sources (uses):</b>			
Transfers in	305,000	305,000	
Transfers out	(2,799,668)	(2,524,668)	275,000
<b>Total other financing sources (uses)</b>	<u>(2,494,668)</u>	<u>(2,219,668)</u>	<u>275,000</u>
<b>Changes in fund balances</b>	<u>(389,834)</u>	<u>2,564,428</u>	<u>2,954,262</u>
<b>Fund balances, beginning of year</b>		13,403,214	13,403,214
<b>Fund balances (deficits), end of year</b>	<u>\$ (389,834)</u>	<u>\$ 15,967,642</u>	<u>\$ 16,357,476</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, 2018**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
<b>Revenues:</b>			
Sales taxes	\$ 2,308,112	\$ 2,330,941	\$ 22,829
Charges for services	4,159,931	4,382,588	222,657
Other	27,861	963	(26,898)
<b>Total revenues</b>	<u>6,495,904</u>	<u>6,714,492</u>	<u>218,588</u>
<b>Expenditures:</b>			
Current -			
Culture and recreation	6,034,662	6,224,845	(190,183)
Capital outlay	44,075	45,464	(1,389)
Debt service -			
Principal retirement	215,802	215,802	
Interest and fiscal charges	35,706	36,831	(1,125)
<b>Total expenditures</b>	<u>6,330,245</u>	<u>6,522,942</u>	<u>(192,697)</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>165,659</u>	<u>191,550</u>	<u>25,891</u>
<b>Other financing sources (uses):</b>			
Transfers out	(165,956)	(165,956)	
<b>Total other financing sources (uses)</b>	<u>(165,956)</u>	<u>(165,956)</u>	
<b>Changes in fund balances</b>	<u>(297)</u>	<u>25,594</u>	<u>25,891</u>
<b>Fund balances (deficits), beginning of year</b>		(97,157)	(97,157)
<b>Fund balances (deficits), end of year</b>	<u>\$ (297)</u>	<u>\$ (71,563)</u>	<u>\$ (71,266)</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 FOUR FISCAL YEARS**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Measurement date	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Town's proportion of the net pension liability (asset)	0.12%	0.12%	0.12%	0.11%
Town's proportionate share of the net pension liability (asset)	\$ 19,453,870	\$ 20,050,356	\$ 18,575,537	\$ 16,642,712
Town's covered payroll	\$ 12,193,145	\$ 11,857,622	\$ 11,826,486	\$ 11,086,887
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	159.55%	169.09%	157.07%	150.11%
Plan fiduciary net position as a percentage of the total pension liability	69.92%	67.06%	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 FOUR FISCAL YEARS**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Measurement date	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
<b>Total pension liability</b>				
Service cost	\$ 1,638,736	\$ 1,363,768	\$ 1,224,807	\$ 1,157,832
Interest	3,615,210	3,185,633	2,842,514	2,408,825
Changes of benefit terms	435,327	3,164,555		444,387
Differences between expected and actual experience	247,905	(548,533)	1,312,293	(356,776)
Changes of assumptions	747,786	1,902,904		3,014,125
Benefit payments, including refunds of employee contributions	(2,061,668)	(1,106,968)	(1,049,346)	(1,304,993)
<b>Net change in total pension liability</b>	4,623,296	7,961,359	4,330,268	5,363,400
<b>Total pension liability—beginning</b>	48,414,270	40,452,911	36,122,643	30,759,243
<b>Total pension liability—ending</b>	<u>\$ 53,037,566</u>	<u>\$ 48,414,270</u>	<u>\$ 40,452,911</u>	<u>\$ 36,122,643</u>
<b>Plan fiduciary net position</b>				
Contributions—employer	\$ 1,811,735	\$ 1,505,274	\$ 1,669,125	\$ 1,211,218
Contributions—employee	905,024	840,020	794,478	698,036
Net investment income	3,228,386	154,181	874,562	2,774,126
Benefit payments, including refunds of employee contributions	(2,061,668)	(1,106,968)	(1,049,346)	(1,304,993)
Administrative expense	(28,966)	(22,586)	(21,722)	(22,342)
Other	19,066	38,225	93,803	(93,142)
<b>Net change in plan fiduciary net position</b>	3,873,577	1,408,146	2,360,900	3,262,903
<b>Plan fiduciary net position—beginning</b>	27,010,103	25,601,957	23,241,057	19,978,154
<b>Plan fiduciary net position—ending</b>	<u>\$ 30,883,680</u>	<u>\$ 27,010,103</u>	<u>\$ 25,601,957</u>	<u>\$ 23,241,057</u>
<b>Net pension liability—ending</b>	<u>\$ 22,153,886</u>	<u>\$ 21,404,167</u>	<u>\$ 14,850,954</u>	<u>\$ 12,881,586</u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	58.23%	55.79%	63.29%	64.34%
<b>Covered payroll</b>	\$ 7,199,177	\$ 7,355,092	\$ 7,004,292	\$ 6,021,786
<b>Net pension liability as a percentage of covered payroll</b>	307.73%	291.01%	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**  
**PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM - DISPATCHERS**  
**LAST FOUR FISCAL YEARS**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Measurement date	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
<b>Total pension liability</b>				
Service cost	\$ 32,541	\$ 32,257	\$ 52,754	\$ 53,985
Interest	185,568	182,053	174,403	154,443
Changes of benefit terms	395,457	14,504		29,545
Differences between expected and actual experience	(12,524)	(12,392)	14,554	(48,767)
Changes of assumptions	85,035	64,514		174,536
Benefit payments, including refunds of employee contributions	(132,788)	(119,180)	(148,851)	(68,874)
<b>Net change in total pension liability</b>	553,289	161,756	92,860	294,868
<b>Total pension liability—beginning</b>	2,524,360	2,362,604	2,269,744	1,974,876
<b>Total pension liability—ending</b>	<u>\$ 3,077,649</u>	<u>\$ 2,524,360</u>	<u>\$ 2,362,604</u>	<u>\$ 2,269,744</u>
<b>Plan fiduciary net position</b>				
Contributions—employer	\$ 77,331	\$ 52,583	\$ 64,005	\$ 63,179
Contributions—employee	18,502	18,982	30,272	32,699
Net investment income	136,094	7,237	45,101	146,441
Benefit payments, including refunds of employee contributions	(132,788)	(119,180)	(148,851)	(68,874)
Administrative expense	(1,591)	(1,423)	(1,490)	(1,151)
Other	(8)	(8)	(926)	
<b>Net change in plan fiduciary net position</b>	97,540	(41,809)	(11,889)	172,294
<b>Plan fiduciary net position—beginning</b>	1,163,258	1,205,067	1,216,956	1,044,662
<b>Plan fiduciary net position—ending</b>	<u>\$ 1,260,798</u>	<u>\$ 1,163,258</u>	<u>\$ 1,205,067</u>	<u>\$ 1,216,956</u>
<b>Net pension liability—ending</b>	<u>\$ 1,816,851</u>	<u>\$ 1,361,102</u>	<u>\$ 1,157,537</u>	<u>\$ 1,052,788</u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	40.97%	46.08%	51.01%	53.62%
<b>Covered payroll</b>	\$ 233,934	\$ 245,274	\$ 380,303	\$ 387,839
<b>Net pension liability as a percentage of covered payroll</b>	776.65%	554.93%	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 FOUR FISCAL YEARS**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Arizona State Retirement System:</b>				
Actuarially determined contribution	\$ 1,418,992	\$ 1,314,421	\$ 1,286,552	\$ 1,207,362
Contributions in relation to the actuarially determined contribution	<u>1,418,992</u>	<u>1,314,421</u>	<u>1,286,552</u>	<u>1,207,362</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Town's covered payroll	\$ 13,018,275	\$ 12,193,145	\$ 11,826,486	\$ 11,086,887
Contributions as a percentage of covered payroll	10.90%	10.78%	10.88%	10.89%
 <b>Public Safety Personnel Retirement System - Police:</b>				
Actuarially determined contribution	\$ 2,485,191	\$ 1,679,568	\$ 1,554,131	\$ 1,354,630
Contributions in relation to the actuarially determined contribution	<u>2,485,191</u>	<u>1,679,568</u>	<u>1,554,131</u>	<u>1,354,630</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Town's covered payroll	\$ 7,209,721	\$ 7,199,177	\$ 7,355,092	\$ 7,004,292
Contributions as a percentage of covered payroll	34.47%	23.33%	21.13%	19.34%
 <b>Public Safety Personnel Retirement System - Dispatchers:</b>				
Actuarially determined contribution	\$ 87,996	\$ 77,830	\$ 54,083	\$ 64,005
Contributions in relation to the actuarially determined contribution	<u>87,996</u>	<u>77,830</u>	<u>54,083</u>	<u>64,005</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Town's covered-employee payroll	\$ 201,687	\$ 233,934	\$ 245,274	\$ 380,303
Contributions as a percentage of covered-employee payroll	43.63%	33.27%	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 THE PROPORTIONATE SHARE OF THE NET OPEB LIABILITY**  
**ARIZONA STATE RETIREMENT SYSTEM - HEALTH INSURANCE PREMIUM**  
**JUNE 30, 2018**

**2018**

Measurement date	June 30, 2017
Town's proportion of the net OPEB (assets) liability	0.13%
Town's proportionate share of the net OPEB (assets) liability	\$ (68,769)
Town's covered payroll	\$ 12,193,145
Town's proportionate share of the net OPEB (assets) liability as a percentage of its covered payroll	-0.56%
Plan fiduciary net position as a percentage of the total OPEB liability	103.57%

NOTE: The pension and OPEB 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 THE PROPORTIONATE SHARE OF THE NET OPEB LIABILITY**  
**ARIZONA STATE RETIREMENT SYSTEM - LONG-TERM DISABILITY**  
**JUNE 30, 2018**

**2018**

Measurement date	June 30, 2017
Town's proportion of the net OPEB (assets) liability	0.13%
Town's proportionate share of the net OPEB (assets) liability	\$ 45,386
Town's covered payroll	\$ 12,193,145
Town's proportionate share of the net OPEB (assets) liability as a percentage of its covered payroll	0.37%
Plan fiduciary net position as a percentage of the total OPEB liability	84.44%

NOTE: The pension and OPEB 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 OPEB LIABILITY AND RELATED RATIOS**  
**PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM - POLICE - HEALTH INSURANCE PREMIUM**  
**JUNE 30, 2018**

**2018**

Measurement date	June 30, 2017
<b>Total OPEB liability</b>	
Service cost	\$ 26,772
Interest	83,347
Changes of benefit terms	3,280
Differences between expected and actual experience	(29,508)
Changes of assumptions or other inputs	(113,968)
Benefit payments	<u>(21,892)</u>
<b>Net change in total OPEB liability</b>	<b>(51,969)</b>
<b>Total OPEB liability—beginning</b>	<b><u>1,108,855</u></b>
<b>Total OPEB liability—ending</b>	<b><u><u>\$ 1,056,886</u></u></b>
<b>Plan fiduciary net position</b>	
Contributions—employer	\$ 25,271
Contributions—employee	
Net investment income	124,864
Benefit payments	(21,892)
Administrative expense	(1,105)
Other	
<b>Net change in plan fiduciary net position</b>	<b><u>127,138</u></b>
<b>Plan fiduciary net position—beginning</b>	<b><u>1,057,826</u></b>
<b>Plan fiduciary net position—ending</b>	<b><u><u>\$ 1,184,964</u></u></b>
<b>Net OPEB (assets) liability—ending</b>	<b><u><u>\$ (128,078)</u></u></b>
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	<b>112.12%</b>
<b>Covered payroll</b>	<b>\$ 7,199,177</b>
<b>Net OPEB (assets) liability as a percentage of covered payroll</b>	<b>-1.78%</b>

NOTE: The pension and OPEB 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 OPEB LIABILITY AND RELATED RATIOS**  
**PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM - DISPATCHERS - HEALTH INSURANCE PREMIUM**  
**JUNE 30, 2018**

**2018**

Measurement date	June 30, 2017
<b>Total OPEB liability</b>	
Service cost	\$ 372
Interest	3,505
Changes of benefit terms	
Differences between expected and actual experience	5,830
Changes of assumptions or other inputs	(3,921)
Benefit payments	<u>(3,567)</u>
<b>Net change in total OPEB liability</b>	<b>2,219</b>
<b>Total OPEB liability—beginning</b>	<b><u>48,337</u></b>
<b>Total OPEB liability—ending</b>	<b><u><u>\$ 50,556</u></u></b>
<b>Plan fiduciary net position</b>	
Contributions—employer	\$
Contributions—employee	
Net investment income	7,324
Benefit payments	(3,567)
Administrative expense	(64)
Other	
<b>Net change in plan fiduciary net position</b>	<b><u>3,693</u></b>
<b>Plan fiduciary net position—beginning</b>	<b><u>63,294</u></b>
<b>Plan fiduciary net position—ending</b>	<b><u><u>\$ 66,987</u></u></b>
<b>Net OPEB (assets) liability—ending</b>	<b><u><u>\$ (16,431)</u></u></b>
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	<b>132.50%</b>
<b>Covered payroll</b>	<b>\$ 233,934</b>
<b>Net OPEB (assets) liability as a percentage of covered payroll</b>	<b>-7.02%</b>

NOTE: The pension and OPEB 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 OPEB CONTRIBUTIONS  
ALL OPEB PLANS  
JUNE 30, 2018**

**2018**

**Arizona State Retirement System - Health Insurance Premium:**

Actuarially determined contribution	\$ 57,280
Contributions in relation to the actuarially determined contribution	<u>57,280</u>
Contribution deficiency (excess)	<u>\$</u>
Town's covered payroll	\$ 13,018,275
Contributions as a percentage of covered payroll	0.44%

**Arizona State Retirement System - Long-Term Disability:**

Actuarially determined contribution	\$ 20,829
Contributions in relation to the actuarially determined contribution	<u>20,829</u>
Contribution deficiency (excess)	<u>\$</u>
Town's covered payroll	\$ 13,018,275
Contributions as a percentage of covered payroll	0.16%

**Public Safety Personnel Retirement System - Police - Health Insurance Premium:**

Actuarially determined contribution	\$ 27,397
Contributions in relation to the actuarially determined contribution	<u>27,397</u>
Contribution deficiency (excess)	<u>\$</u>
Town's covered payroll	\$ 7,209,721
Contributions as a percentage of covered payroll	0.38%

**Public Safety Personnel Retirement System - Dispatchers - Health Insurance Premium:**

Actuarially determined contribution	\$
Contributions in relation to the actuarially determined contribution	<u></u>
Contribution deficiency (excess)	<u>\$</u>
Town's covered payroll	\$ 201,687
Contributions as a percentage of covered payroll	0.00%

NOTE: The pension and OPEB 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**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2018**

**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 AND OPEB PLAN SCHEDULES**

**Factors that Affect Trends.** The actuarial assumptions used in the June 30, 2016, 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, 2013, actuarial valuation. The study did not include an analysis of the assumed investment rate of return.

The actuarial assumptions used in the June 30, 2016, 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, 2016, 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%.

(This page intentionally left blank)

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

(This page intentionally left blank)

**GOVERNMENTAL FUNDS**

**TOWN OF ORO VALLEY, ARIZONA**  
**COMBINING BALANCE SHEET - ALL NON-MAJOR GOVERNMENTAL FUNDS - BY FUND TYPE**  
**JUNE 30, 2018**

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 2,377,613	\$ 97,462	\$ 6,091,803
Accounts receivable	58,809		
Intergovernmental receivable	301,333		1,453,127
Special assessments		495,000	
<b>Total assets</b>	<u><u>\$ 2,737,755</u></u>	<u><u>\$ 592,462</u></u>	<u><u>\$ 7,544,930</u></u>
 <b><u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES</u></b>			
<b><u>AND FUND BALANCES</u></b>			
Liabilities:			
Accounts payable	\$ 698,197	\$ 1,250	\$ 696,085
Accrued wages and benefits	54,879		
Unearned revenue			563,562
Due to other funds			138,019
<b>Total liabilities</b>	<u>753,076</u>	<u>1,250</u>	<u>1,397,666</u>
Deferred inflows of resources:			
Unavailable revenues - special assessments		<u>495,000</u>	
Fund balances:			
Restricted	406,104	96,212	3,921,928
Committed	1,578,575		15,718
Assigned			2,209,618
<b>Total fund balances</b>	<u>1,984,679</u>	<u>96,212</u>	<u>6,147,264</u>
 <b>Total liabilities, deferred inflows of resources and fund balances</b>	 <u><u>\$ 2,737,755</u></u>	 <u><u>\$ 592,462</u></u>	 <u><u>\$ 7,544,930</u></u>

Total Non-Major  
Governmental  
Funds

\$ 8,566,878  
58,809  
1,754,460  
495,000  
\$ 10,875,147

\$ 1,395,532  
54,879  
563,562  
138,019  
2,151,992

495,000

4,424,244  
1,594,293  
2,209,618  
8,228,155

\$ 10,875,147

**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, 2018**

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<b>Revenues:</b>			
Sales taxes	\$ 1,372,258	\$	\$
Development impact fees			1,346,402
Special assessments		175,854	
Intergovernmental	3,479,458	45,119	4,368,890
Licenses, fees & permits	45,116		
Fines, forfeitures & penalties	397,856		
Contributions and donations			133,928
Investment earnings	35,481	4,296	34,765
Other	13,585	100,896	71,496
<b>Total revenues</b>	<u>5,343,754</u>	<u>326,165</u>	<u>5,955,481</u>
<b>Expenditures:</b>			
Current -			
General government	927,742		
Public safety	12,142		168,043
Highway and streets	3,092,143		
Capital outlay	1,058,942		8,408,007
Debt service -			
Principal retirement		694,290	350,000
Interest and fiscal charges		318,510	
<b>Total expenditures</b>	<u>5,090,969</u>	<u>1,012,800</u>	<u>8,926,050</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>252,785</u>	<u>(686,635)</u>	<u>(2,970,569)</u>
<b>Other financing sources (uses):</b>			
Transfers in		686,783	2,351,107
Transfers out	(410,019)		(539,400)
<b>Total other financing sources (uses)</b>	<u>(410,019)</u>	<u>686,783</u>	<u>1,811,707</u>
<b>Changes in fund balances</b>	<u>(157,234)</u>	<u>148</u>	<u>(1,158,862)</u>
<b>Fund balances, beginning of year</b>	2,141,913	96,064	7,306,126
<b>Fund balances, end of year</b>	<u>\$ 1,984,679</u>	<u>\$ 96,212</u>	<u>\$ 6,147,264</u>

Total Non-Major  
Governmental  
Funds

\$ 1,372,258  
1,346,402  
175,854  
7,893,467  
45,116  
397,856  
133,928  
74,542  
185,977  
11,625,400

927,742  
180,185  
3,092,143  
9,466,949

1,044,290  
318,510  
15,029,819

(3,404,419)

3,037,890  
(949,419)  
2,088,471

(1,315,948)

9,544,103  
\$ 8,228,155

(This page intentionally left blank)

## **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, 2018**

	HURF	State Seizures and Forfeitures	Federal Seizures and Forfeitures
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 902,283	\$ 265,605	\$ 173,062
Accounts receivable	58,809		
Intergovernmental receivable	301,333		
<b>Total assets</b>	\$ 1,262,425	\$ 265,605	\$ 173,062
 <b><u>LIABILITIES AND FUND BALANCES</u></b>			
Liabilities:			
Accounts payable	\$ 246,827	\$ 36,377	\$
Accrued wages and benefits	54,879		
<b>Total liabilities</b>	301,706	36,377	
Fund balances:			
Restricted		229,228	173,062
Committed	960,719		
<b>Total fund balances</b>	960,719	229,228	173,062
 <b>Total liabilities and fund balances</b>	 \$ 1,262,425	 \$ 265,605	 \$ 173,062

<u>Bed Tax</u>	<u>Impound Fee</u>	<u>Totals</u>
\$ 1,032,849	\$ 3,814	\$ 2,377,613
		58,809
		301,333
<u>\$ 1,032,849</u>	<u>\$ 3,814</u>	<u>\$ 2,737,755</u>
\$ 414,993	\$	\$ 698,197
		54,879
<u>414,993</u>		<u>753,076</u>
	3,814	406,104
617,856		1,578,575
<u>617,856</u>	<u>3,814</u>	<u>1,984,679</u>
<u>\$ 1,032,849</u>	<u>\$ 3,814</u>	<u>\$ 2,737,755</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, 2018**

	HURF	State Seizures and Forfeitures	Federal Seizures and Forfeitures
<b>Revenues:</b>			
Sales taxes	\$	\$	\$
Intergovernmental	3,479,458		
Licenses, fees & permits	45,116		
Fines, forfeitures & penalties		168,160	192,946
Investment earnings	31,054	4,095	332
Other	13,585		
<b>Total revenues</b>	3,569,213	172,255	193,278
<b>Expenditures:</b>			
Current -			
General government		158,817	
Public safety			12,142
Highway and streets	3,092,143		
Capital outlay	867,254	95,365	
<b>Total expenditures</b>	3,959,397	254,182	12,142
<b>Excess (deficiency) of revenues over expenditures</b>	(390,184)	(81,927)	181,136
<b>Other financing sources (uses):</b>			
Transfers out			
<b>Total other financing sources (uses)</b>			
<b>Changes in fund balances</b>	(390,184)	(81,927)	181,136
<b>Fund balances (deficits), beginning of year</b>	1,350,903	311,155	(8,074)
<b>Fund balances, end of year</b>	\$ 960,719	\$ 229,228	\$ 173,062

<u>Bed Tax</u>	<u>Impound Fee</u>	<u>Totals</u>
\$ 1,372,258	\$	\$ 1,372,258
		3,479,458
		45,116
	36,750	397,856
		35,481
		13,585
<u>1,372,258</u>	<u>36,750</u>	<u>5,343,754</u>
710,671	58,254	927,742
		12,142
		3,092,143
96,323		1,058,942
<u>806,994</u>	<u>58,254</u>	<u>5,090,969</u>
<u>565,264</u>	<u>(21,504)</u>	<u>252,785</u>
<u>(410,019)</u>	<u></u>	<u>(410,019)</u>
<u>(410,019)</u>	<u></u>	<u>(410,019)</u>
<u>155,245</u>	<u>(21,504)</u>	<u>(157,234)</u>
462,611	25,318	2,141,913
<u>\$ 617,856</u>	<u>\$ 3,814</u>	<u>\$ 1,984,679</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, 2018**

	HURF		Variance - Positive (Negative)
	Budget	Actual	
<b>Revenues:</b>			
Sales taxes	\$	\$	\$
Intergovernmental	3,363,581	3,479,458	115,877
Licenses, fees & permits	57,000	45,116	(11,884)
Fines, forfeitures & penalties			
Charges for services	100,000		(100,000)
Investment earnings	36,994	31,054	(5,940)
Other	2,000	13,585	11,585
<b>Total revenues</b>	<u>3,559,575</u>	<u>3,569,213</u>	<u>9,638</u>
<b>Expenditures:</b>			
Current -			
General government			
Public safety			
Highway and streets	3,971,693	3,092,143	879,550
Capital outlay	1,113,942	867,254	246,688
<b>Total expenditures</b>	<u>5,085,635</u>	<u>3,959,397</u>	<u>1,126,238</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(1,526,060)</u>	<u>(390,184)</u>	<u>1,135,876</u>
<b>Other financing sources (uses):</b>			
Transfers in	275,000		(275,000)
Transfers out			
<b>Total other financing sources (uses)</b>	<u>275,000</u>		<u>(275,000)</u>
<b>Changes in fund balances</b>	<u>(1,251,060)</u>	<u>(390,184)</u>	<u>860,876</u>
<b>Fund balances (deficits), beginning of year</b>		1,350,903	1,350,903
<b>Fund balances (deficits), end of year</b>	<u>\$ (1,251,060)</u>	<u>\$ 960,719</u>	<u>\$ 2,211,779</u>

State Seizures and Forfeitures			Federal Seizures and Forfeitures		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$	\$	\$	\$	\$
128,062	168,160	40,098	(146,938)	192,946	339,884
	4,095	4,095		332	332
<u>128,062</u>	<u>172,255</u>	<u>44,193</u>	<u>(146,938)</u>	<u>193,278</u>	<u>340,216</u>
250,659	158,817	91,842			
			19,164	12,142	7,022
<u>150,513</u>	<u>95,365</u>	<u>55,148</u>	<u>19,164</u>	<u>12,142</u>	<u>7,022</u>
<u>401,172</u>	<u>254,182</u>	<u>146,990</u>	<u>19,164</u>	<u>12,142</u>	<u>7,022</u>
<u>(273,110)</u>	<u>(81,927)</u>	<u>191,183</u>	<u>(166,102)</u>	<u>181,136</u>	<u>347,238</u>
<u>(273,110)</u>	<u>(81,927)</u>	<u>191,183</u>	<u>(166,102)</u>	<u>181,136</u>	<u>347,238</u>
	311,155	311,155		(8,074)	(8,074)
<u>\$ (273,110)</u>	<u>\$ 229,228</u>	<u>\$ 502,338</u>	<u>\$ (166,102)</u>	<u>\$ 173,062</u>	<u>\$ 339,164</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, 2018**

	Bed Tax		Variance - Positive (Negative)
	Budget	Actual	
<b>Revenues:</b>			
Sales taxes	\$ 1,126,955	\$ 1,372,258	\$ 245,303
Intergovernmental			
Licenses, fees & permits			
Fines, forfeitures & penalties			
Charges for services			
Investment earnings	8,011		(8,011)
Other			
<b>Total revenues</b>	<u>1,134,966</u>	<u>1,372,258</u>	<u>237,292</u>
<b>Expenditures:</b>			
Current -			
General government	942,677	710,671	232,006
Public safety			
Highway and streets			
Capital outlay	127,769	96,323	31,446
<b>Total expenditures</b>	<u>1,070,446</u>	<u>806,994</u>	<u>263,452</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>64,520</u>	<u>565,264</u>	<u>500,744</u>
<b>Other financing sources (uses):</b>			
Transfers in			
Transfers out	(410,019)	(410,019)	
<b>Total other financing sources (uses)</b>	<u>(410,019)</u>	<u>(410,019)</u>	
<b>Changes in fund balances</b>	<u>(345,499)</u>	<u>155,245</u>	<u>500,744</u>
<b>Fund balances (deficits), beginning of year</b>		462,611	462,611
<b>Fund balances (deficits), end of year</b>	<u>\$ (345,499)</u>	<u>\$ 617,856</u>	<u>\$ 963,355</u>

Impound Fee			Totals		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$	\$	\$	\$	\$
			1,126,955	1,372,258	245,303
			3,363,581	3,479,458	115,877
			57,000	45,116	(11,884)
40,000	36,750	(3,250)	21,124	397,856	376,732
			100,000		(100,000)
			45,005	35,481	(9,524)
			2,000	13,585	11,585
<u>40,000</u>	<u>36,750</u>	<u>(3,250)</u>	<u>4,715,665</u>	<u>5,343,754</u>	<u>628,089</u>
63,345	58,254	5,091	1,256,681	927,742	328,939
			19,164	12,142	7,022
			3,971,693	3,092,143	879,550
			1,392,224	1,058,942	333,282
<u>63,345</u>	<u>58,254</u>	<u>5,091</u>	<u>6,639,762</u>	<u>5,090,969</u>	<u>1,548,793</u>
<u>(23,345)</u>	<u>(21,504)</u>	<u>1,841</u>	<u>(1,924,097)</u>	<u>252,785</u>	<u>2,176,882</u>
			275,000		(275,000)
			<u>(410,019)</u>	<u>(410,019)</u>	<u>(410,019)</u>
			<u>(135,019)</u>	<u>(410,019)</u>	<u>(275,000)</u>
<u>(23,345)</u>	<u>(21,504)</u>	<u>1,841</u>	<u>(2,059,116)</u>	<u>(157,234)</u>	<u>1,901,882</u>
	25,318	25,318		2,141,913	2,141,913
<u>\$ (23,345)</u>	<u>\$ 3,814</u>	<u>\$ 27,159</u>	<u>\$ (2,059,116)</u>	<u>\$ 1,984,679</u>	<u>\$ 4,043,795</u>

(This page intentionally left blank)

## **MUNICIPAL DEBT SERVICE FUNDS**

**Municipal Debt Service** - to account for the payments of debt service on the Series 2010 Excise Tax Revenue Obligations, the Series 2012 Excise Tax Revenue Obligations, the Series 2015 Excise Tax Revenue Refunding Obligations, the Series 2016 Excise Tax Revenue Obligations, and the Series 2017 Refunding Excise Tax Revenue Obligations.

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

**TOWN OF ORO VALLEY, ARIZONA**  
**COMBINING BALANCE SHEET - NON-MAJOR DEBT SERVICE FUNDS**  
**JUNE 30, 2018**

	Municipal Debt Service	Oracle Road Debt Service	Totals
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 89,735	\$ 7,727	\$ 97,462
Special assessments		495,000	495,000
<b>Total assets</b>	<b>\$ 89,735</b>	<b>\$ 502,727</b>	<b>\$ 592,462</b>
 <b><u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u></b>			
Liabilities:			
Accounts payable	\$ 1,000	\$ 250	\$ 1,250
<b>Total liabilities</b>	<b>1,000</b>	<b>250</b>	<b>1,250</b>
Deferred inflows of resources:			
Unavailable revenues - special assessments		495,000	495,000
Fund balances:			
Restricted	88,735	7,477	96,212
<b>Total fund balances</b>	<b>88,735</b>	<b>7,477</b>	<b>96,212</b>
 <b>Total liabilities, deferred inflows of resources and fund balances</b>	 <b>\$ 89,735</b>	 <b>\$ 502,727</b>	 <b>\$ 592,462</b>

**TOWN OF ORO VALLEY, ARIZONA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**NON-MAJOR DEBT SERVICE FUNDS**  
**YEAR ENDED JUNE 30, 2018**

	Municipal Debt Service	Oracle Road Debt Service	Totals
<b>Revenues:</b>			
Special assessments	\$	\$ 175,854	\$ 175,854
Intergovernmental	45,119		45,119
Investment earnings	4,296		4,296
Other	100,670	226	100,896
<b>Total revenues</b>	<u>150,085</u>	<u>176,080</u>	<u>326,165</u>
<b>Expenditures:</b>			
Debt service -			
Principal retirement	544,290	150,000	694,290
Interest and fiscal charges	290,170	28,340	318,510
<b>Total expenditures</b>	<u>834,460</u>	<u>178,340</u>	<u>1,012,800</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(684,375)</u>	<u>(2,260)</u>	<u>(686,635)</u>
<b>Other financing sources (uses):</b>			
Transfers in	683,783	3,000	686,783
<b>Total other financing sources (uses)</b>	<u>683,783</u>	<u>3,000</u>	<u>686,783</u>
<b>Changes in fund balances</b>	<u>(592)</u>	<u>740</u>	<u>148</u>
<b>Fund balances, beginning of year</b>	89,327	6,737	96,064
<b>Fund balances, end of year</b>	<u>\$ 88,735</u>	<u>\$ 7,477</u>	<u>\$ 96,212</u>

**TOWN OF ORO VALLEY, ARIZONA**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL**  
**NON-MAJOR DEBT SERVICE FUNDS**  
**YEAR ENDED JUNE 30, 2018**

	Municipal Debt Service		
	Budget	Actual	Variance - Positive (Negative)
<b>Revenues:</b>			
Special assessments	\$	\$	\$
Intergovernmental	51,403	45,119	(6,284)
Investment earnings		4,296	4,296
Other	90,000	100,670	10,670
<b>Total revenues</b>	<u>141,403</u>	<u>150,085</u>	<u>8,682</u>
<b>Expenditures:</b>			
Debt service -			
Principal retirement	544,290	544,290	
Interest and fiscal charges	339,261	290,170	49,091
<b>Total expenditures</b>	<u>883,551</u>	<u>834,460</u>	<u>49,091</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(742,148)</u>	<u>(684,375)</u>	<u>57,773</u>
<b>Other financing sources (uses):</b>			
Transfers in	683,783	683,783	
<b>Total other financing sources (uses)</b>	<u>683,783</u>	<u>683,783</u>	
<b>Changes in fund balances</b>	<u>(58,365)</u>	<u>(592)</u>	<u>57,773</u>
<b>Fund balances, beginning of year</b>		89,327	89,327
<b>Fund balances (deficits), end of year</b>	<u>\$ (58,365)</u>	<u>\$ 88,735</u>	<u>\$ 147,100</u>

Oracle Road Debt Service			Totals		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$ 186,520	\$ 175,854	\$ (10,666)	\$ 186,520	\$ 175,854	\$ (10,666)
			51,403	45,119	(6,284)
	226	226	90,000	4,296	4,296
<u>186,520</u>	<u>176,080</u>	<u>(10,440)</u>	<u>327,923</u>	<u>100,896</u>	<u>10,896</u>
				<u>326,165</u>	<u>(1,758)</u>
150,000	150,000		694,290	694,290	
46,514	28,340	18,174	385,775	318,510	67,265
<u>196,514</u>	<u>178,340</u>	<u>18,174</u>	<u>1,080,065</u>	<u>1,012,800</u>	<u>67,265</u>
<u>(9,994)</u>	<u>(2,260)</u>	<u>7,734</u>	<u>(752,142)</u>	<u>(686,635)</u>	<u>65,507</u>
3,000	3,000		686,783	686,783	
<u>3,000</u>	<u>3,000</u>		<u>686,783</u>	<u>686,783</u>	
<u>(6,994)</u>	<u>740</u>	<u>7,734</u>	<u>(65,359)</u>	<u>148</u>	<u>65,507</u>
	6,737	6,737		96,064	96,064
<u>\$ (6,994)</u>	<u>\$ 7,477</u>	<u>\$ 14,471</u>	<u>\$ (65,359)</u>	<u>\$ 96,212</u>	<u>\$ 161,571</u>

(This page intentionally left blank)

## **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.

**Energy Efficiency Project** – to account for bond proceeds to fund energy improvements at the Oro Valley Community Center.

**TOWN OF ORO VALLEY, ARIZONA**  
**COMBINING BALANCE SHEET - NON-MAJOR CAPITAL PROJECTS FUNDS**  
**JUNE 30, 2018**

	Townwide Roadway Development Impact Fees	General Impact Fees	Townwide Facilities Projects
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 2,877,357	\$ 929,624	\$ 15,718
Intergovernmental receivable			
<b>Total assets</b>	<u>\$ 2,877,357</u>	<u>\$ 929,624</u>	<u>\$ 15,718</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
Liabilities:			
Accounts payable	\$ 17,261	\$	\$
Unearned revenue	563,562		
Due to other funds			
<b>Total liabilities</b>	<u>580,823</u>		
Fund balances:			
Restricted	2,296,534	929,624	
Committed			15,718
Assigned			
<b>Total fund balances</b>	<u>2,296,534</u>	<u>929,624</u>	<u>15,718</u>
<b>Total liabilities and fund balances</b>	<u>\$ 2,877,357</u>	<u>\$ 929,624</u>	<u>\$ 15,718</u>

<u>General Government CIP</u>	<u>PAG/RTA</u>	<u>Energy Efficiency Project</u>	<u>Totals</u>
\$ 2,269,018	\$ 1,453,127	\$ 86	\$ 6,091,803
	1,453,127		1,453,127
<u>\$ 2,269,018</u>	<u>\$ 1,453,127</u>	<u>\$ 86</u>	<u>\$ 7,544,930</u>
\$ 59,400	\$ 619,424	\$	\$ 696,085
	138,019		563,562
<u>59,400</u>	<u>757,443</u>		<u>138,019</u>
			<u>1,397,666</u>
	695,684	86	3,921,928
2,209,618			15,718
<u>2,209,618</u>	<u>695,684</u>	<u>86</u>	<u>2,209,618</u>
			<u>6,147,264</u>
<u>\$ 2,269,018</u>	<u>\$ 1,453,127</u>	<u>\$ 86</u>	<u>\$ 7,544,930</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, 2018**

	<u>Townwide Roadway Development Impact Fees</u>	<u>General Impact Fees</u>	<u>Townwide Facilities Projects</u>
<b>Revenues:</b>			
Development impact fees	\$ 909,345	\$ 437,057	\$
Intergovernmental			
Contributions and donations			
Investment earnings	26,590	8,175	
Other			
<b>Total revenues</b>	<u>935,935</u>	<u>445,232</u>	<u></u>
<b>Expenditures:</b>			
Current -			
Public safety			
Capital outlay	1,736,557		
Debt service -			
Principal retirement			
<b>Total expenditures</b>	<u>1,736,557</u>	<u></u>	<u></u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(800,622)</u>	<u>445,232</u>	<u></u>
<b>Other financing sources (uses):</b>			
Transfers in			
Transfers out		(539,400)	
<b>Total other financing sources (uses)</b>	<u></u>	<u>(539,400)</u>	<u></u>
<b>Changes in fund balances</b>	<u>(800,622)</u>	<u>(94,168)</u>	<u></u>
<b>Fund balances, beginning of year</b>	3,097,156	1,023,792	15,718
<b>Fund balances, end of year</b>	<u>\$ 2,296,534</u>	<u>\$ 929,624</u>	<u>\$ 15,718</u>

<u>General Government CIP</u>	<u>PAG/RTA</u>	<u>Energy Efficiency Project</u>	<u>Totals</u>
\$	\$	\$	\$
	4,368,890		1,346,402
	133,928		4,368,890
	71,496		133,928
	4,574,314		34,765
			71,496
			5,955,481
	168,043		168,043
1,507,850	4,595,349	568,251	8,408,007
350,000			350,000
<u>1,857,850</u>	<u>4,763,392</u>	<u>568,251</u>	<u>8,926,050</u>
<u>(1,857,850)</u>	<u>(189,078)</u>	<u>(568,251)</u>	<u>(2,970,569)</u>
2,351,107			2,351,107
			(539,400)
<u>2,351,107</u>			<u>1,811,707</u>
493,257	(189,078)	(568,251)	(1,158,862)
1,716,361	884,762	568,337	7,306,126
<u>\$ 2,209,618</u>	<u>\$ 695,684</u>	<u>\$ 86</u>	<u>\$ 6,147,264</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, 2018**

	Townwide Roadway Development Impact Fees		
	Budget	Actual	Variance - Positive (Negative)
<b>Revenues:</b>			
Development impact fees	\$ 906,401	\$ 909,345	\$ 2,944
Intergovernmental			
Contributions and donations			
Investment earnings	5,000	26,590	21,590
Other			
<b>Total revenues</b>	911,401	935,935	24,534
<b>Expenditures:</b>			
Current -			
Public safety			
Capital outlay	3,935,497	1,736,557	2,198,940
Debt service -			
Principal retirement			
<b>Total expenditures</b>	3,935,497	1,736,557	2,198,940
<b>Excess (deficiency) of revenues over expenditures</b>	(3,024,096)	(800,622)	2,223,474
<b>Other financing sources (uses):</b>			
Transfers in			
Transfers out			
<b>Total other financing sources (uses)</b>			
<b>Changes in fund balances</b>	(3,024,096)	(800,622)	2,223,474
<b>Fund balances, beginning of year</b>		3,097,156	3,097,156
<b>Fund balances (deficits), end of year</b>	\$ (3,024,096)	\$ 2,296,534	\$ 5,320,630

General Impact Fees			Townwide Facilities Projects		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$ 422,712	\$ 437,057	\$ 14,345	\$	\$	\$
	8,175	8,175			
<u>422,712</u>	<u>445,232</u>	<u>22,520</u>			
865,882		865,882	15,718		15,718
<u>865,882</u>		<u>865,882</u>	<u>15,718</u>		<u>15,718</u>
(443,170)	445,232	888,402	(15,718)		15,718
<u>(539,400)</u>	<u>(539,400)</u>				
<u>(539,400)</u>	<u>(539,400)</u>				
(982,570)	(94,168)	888,402	(15,718)		15,718
	1,023,792	1,023,792		15,718	15,718
<u>\$ (982,570)</u>	<u>\$ 929,624</u>	<u>\$ 1,912,194</u>	<u>\$ (15,718)</u>	<u>\$ 15,718</u>	<u>\$ 31,436</u>

(Continued)

**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, 2018**

	General Government CIP		Variance - Positive (Negative)
	Budget	Actual	
<b>Revenues:</b>			
Development impact fees	\$	\$	\$
Intergovernmental			
Contributions and donations			
Investment earnings			
Other			
<b>Total revenues</b>			
<b>Expenditures:</b>			
Current -			
Public safety			
Capital outlay	4,034,577	1,507,850	2,526,727
Debt service -			
Principal retirement		350,000	(350,000)
<b>Total expenditures</b>	<u>4,034,577</u>	<u>1,857,850</u>	<u>2,176,727</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(4,034,577)</u>	<u>(1,857,850)</u>	<u>2,176,727</u>
<b>Other financing sources (uses):</b>			
Transfers in	2,351,107	2,351,107	
Transfers out			
<b>Total other financing sources (uses)</b>	<u>2,351,107</u>	<u>2,351,107</u>	
<b>Changes in fund balances</b>	<u>(1,683,470)</u>	<u>493,257</u>	<u>2,176,727</u>
<b>Fund balances, beginning of year</b>		1,716,361	1,716,361
<b>Fund balances (deficits), end of year</b>	<u>\$ (1,683,470)</u>	<u>\$ 2,209,618</u>	<u>\$ 3,893,088</u>

PAG/RTA			Energy Efficiency Project		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$ 7,899,982	\$ 4,368,890	\$ (3,531,092)			
	133,928	133,928			
22,500	71,496	48,996			
<u>7,922,482</u>	<u>4,574,314</u>	<u>(3,348,168)</u>			
	168,043	(168,043)			
8,518,687	4,595,349	3,923,338	700,000	568,251	131,749
<u>8,518,687</u>	<u>4,763,392</u>	<u>3,755,295</u>	<u>700,000</u>	<u>568,251</u>	<u>131,749</u>
<u>(596,205)</u>	<u>(189,078)</u>	<u>407,127</u>	<u>(700,000)</u>	<u>(568,251)</u>	<u>131,749</u>
<u>(596,205)</u>	<u>(189,078)</u>	<u>407,127</u>	<u>(700,000)</u>	<u>(568,251)</u>	<u>131,749</u>
	884,762	884,762		568,337	568,337
<u>\$ (596,205)</u>	<u>\$ 695,684</u>	<u>\$ 1,291,889</u>	<u>\$ (700,000)</u>	<u>\$ 86</u>	<u>\$ 700,086</u>

(Continued)

**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, 2018**

	Totals		Variance - Positive (Negative)
	Budget	Actual	
<b>Revenues:</b>			
Development impact fees	\$ 1,329,113	\$ 1,346,402	\$ 17,289
Intergovernmental	7,899,982	4,368,890	(3,531,092)
Contributions and donations		133,928	133,928
Investment earnings	5,000	34,765	29,765
Other	22,500	71,496	48,996
<b>Total revenues</b>	<u>9,256,595</u>	<u>5,955,481</u>	<u>(3,301,114)</u>
<b>Expenditures:</b>			
Current -			
Public safety		168,043	(168,043)
Capital outlay	18,070,361	8,408,007	9,662,354
Debt service -			
Principal retirement		350,000	(350,000)
<b>Total expenditures</b>	<u>18,070,361</u>	<u>8,926,050</u>	<u>9,144,311</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(8,813,766)</u>	<u>(2,970,569)</u>	<u>5,843,197</u>
<b>Other financing sources (uses):</b>			
Transfers in	2,351,107	2,351,107	
Transfers out	(539,400)	(539,400)	
<b>Total other financing sources (uses)</b>	<u>1,811,707</u>	<u>1,811,707</u>	
<b>Changes in fund balances</b>	<u>(7,002,059)</u>	<u>(1,158,862)</u>	<u>5,843,197</u>
<b>Fund balances, beginning of year</b>		7,306,126	7,306,126
<b>Fund balances (deficits), end of year</b>	<u>\$ (7,002,059)</u>	<u>\$ 6,147,264</u>	<u>\$ 13,149,323</u>

## **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, 2018**

	<u>Fleet Maintenance</u>	<u>Self Insurance</u>	<u>Totals</u>
<b><u>ASSETS</u></b>			
Current assets:			
Cash and cash equivalents	\$ 1,287,316	\$ 1,030,754	\$ 2,318,070
Total current assets	<u>1,287,316</u>	<u>1,030,754</u>	<u>2,318,070</u>
Noncurrent assets:			
Net other postemployment benefit assets	360		360
Total noncurrent assets	<u>360</u>		<u>360</u>
<b>Total assets</b>	<u>1,287,676</u>	<u>1,030,754</u>	<u>2,318,430</u>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>			
Pension and other postemployment benefit plan items	<u>15,347</u>		<u>15,347</u>
<b><u>LIABILITIES</u></b>			
Current liabilities:			
Accounts payable	78,045	6,917	84,962
Claims payable		287,329	287,329
Total current liabilities	<u>78,045</u>	<u>294,246</u>	<u>372,291</u>
Noncurrent liabilities:			
Non-current portion of long-term obligations	104,328		104,328
Total noncurrent liabilities	<u>104,328</u>		<u>104,328</u>
<b>Total liabilities</b>	<u>182,373</u>	<u>294,246</u>	<u>476,619</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Pension and other postemployment benefit plan items	<u>6,541</u>		<u>6,541</u>
<b><u>NET POSITION</u></b>			
Unrestricted	1,114,109	736,508	1,850,617
<b>Total net position</b>	<u>\$ 1,114,109</u>	<u>\$ 736,508</u>	<u>\$ 1,850,617</u>

**TOWN OF ORO VALLEY, ARIZONA  
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -  
ALL INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018**

	Fleet Maintenance	Self Insurance	Totals
<b>Operating revenues:</b>			
Charges for services	\$ 1,235,167	\$	\$ 1,235,167
Other	82,429		82,429
Self insurance premiums		3,592,298	3,592,298
<b>Total operating revenues</b>	<u>1,317,596</u>	<u>3,592,298</u>	<u>4,909,894</u>
<b>Operating expenses:</b>			
Costs of sales and services	1,283,097		1,283,097
Claims payments		1,985,456	1,985,456
Administrative		99,949	99,949
Reinsurance premiums		657,028	657,028
<b>Total operating expenses</b>	<u>1,283,097</u>	<u>2,742,433</u>	<u>4,025,530</u>
<b>Operating income (loss)</b>	<u>34,499</u>	<u>849,865</u>	<u>884,364</u>
<b>Income (loss) before transfers</b>	<u>34,499</u>	<u>849,865</u>	<u>884,364</u>
<b>Transfers in</b>	<u>300,000</u>		<u>300,000</u>
<b>Changes in net position</b>	<u>334,499</u>	<u>849,865</u>	<u>1,184,364</u>
<b>Total net position, beginning of year</b>	779,610	(113,357)	666,253
<b>Total net position, end of year</b>	<u>\$ 1,114,109</u>	<u>\$ 736,508</u>	<u>\$ 1,850,617</u>

**TOWN OF ORO VALLEY, ARIZONA  
 COMBINING STATEMENT OF CASH FLOWS  
 ALL INTERNAL SERVICE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Fleet Maintenance</u>	<u>Self Insurance</u>	<u>Total</u>
<b><u>Increase (Decrease) in Cash and Cash Equivalents</u></b>			
Cash flows from operating activities:			
Cash received from customers	\$ 1,317,596	\$	\$ 1,317,596
Cash received from premiums		3,592,298	3,592,298
Cash payments to suppliers for goods and services	(1,188,190)	(765,809)	(1,953,999)
Cash payments to employees for services	(94,461)		(94,461)
Cash payments for claims		(2,021,204)	(2,021,204)
<b>Net cash provided by (used for) operating activities</b>	<u>34,945</u>	<u>805,285</u>	<u>840,230</u>
Cash flows from noncapital and related financing activities:			
Interfund transfers	300,000		300,000
<b>Net cash provided by (used for) noncapital financing activities</b>	<u>300,000</u>		<u>300,000</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>334,945</u>	<u>805,285</u>	<u>1,140,230</u>
<b>Cash and cash equivalents, beginning of year</b>	<u>952,371</u>	<u>225,469</u>	<u>1,177,840</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 1,287,316</u>	<u>\$ 1,030,754</u>	<u>\$ 2,318,070</u>
<b><u>Reconciliation of Operating Income (Loss) to</u></b>			
<b><u>Net Cash Provided by (Used for) Operating Activities</u></b>			
<b>Operating income (loss)</b>	\$ 34,499	\$ 849,865	\$ 884,364
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Change in assets and liabilities:			
Accounts payable	1,591	(8,832)	(7,241)
Claims payable		(35,748)	(35,748)
Pension/OPEB items	(1,145)		(1,145)
<b>Total adjustments</b>	<u>446</u>	<u>(44,580)</u>	<u>(44,134)</u>
<b>Net cash provided by (used for) operating activities</b>	<u>\$ 34,945</u>	<u>\$ 805,285</u>	<u>\$ 840,230</u>

## STATISTICAL SECTION

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

### **Financial Trends**

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

### **Revenue Capacity**

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

### **Debt Capacity**

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

### **Demographic and Economic Information**

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

### **Operating Information**

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

**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.

(This page intentionally left blank)

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

	2014	2015	2016	2017	2018
Governmental activities					
Net investment in capital assets	\$ 133,714,821	\$ 133,800,218	\$ 132,419,826	\$ 133,414,691	\$ 137,311,856
Restricted	4,555,138	3,599,966	4,653,905	6,006,584	4,424,244
Unrestricted	18,430,146	(9,493,907)	(10,883,206)	(15,397,688)	(11,583,669)
Total governmental activities net position	<u>\$ 156,700,105</u>	<u>\$ 127,906,277</u>	<u>\$ 126,190,525</u>	<u>\$ 124,023,587</u>	<u>\$ 130,152,431</u>
Business-type activities					
Net investment in capital assets	\$ 52,775,561	\$ 54,858,448	\$ 61,261,271	\$ 66,755,370	\$ 69,036,006
Restricted					
Unrestricted	21,541,202	20,092,694	19,504,748	18,721,247	21,397,377
Total business-type activities net position	<u>\$ 74,316,763</u>	<u>\$ 74,951,142</u>	<u>\$ 80,766,019</u>	<u>\$ 85,476,617</u>	<u>\$ 90,433,383</u>
Primary government					
Net investment in capital assets	\$ 186,490,382	\$ 188,658,666	\$ 193,681,097	\$ 200,170,061	\$ 206,347,862
Restricted	4,555,138	3,599,966	4,653,905	6,006,584	4,424,244
Unrestricted	39,971,348	10,598,787	8,621,542	3,323,559	9,813,708
Total primary government net position	<u>\$ 231,016,868</u>	<u>\$ 202,857,419</u>	<u>\$ 206,956,544</u>	<u>\$ 209,500,204</u>	<u>\$ 220,585,814</u>
Governmental activities	2009	2010	2011	2012	2013
Net investment in capital assets					
Restricted					
Unrestricted	\$ 120,515,962	\$ 127,712,057	\$ 132,956,156	\$ 135,336,862	\$ 134,512,094
Restricted	7,537,331	9,580,610	9,048,505	11,454,390	3,730,312
Total governmental activities net position	<u>26,135,593</u>	<u>15,979,093</u>	<u>10,588,160</u>	<u>10,808,596</u>	<u>18,901,112</u>
Business-type activities	<u>\$ 154,188,886</u>	<u>\$ 153,271,760</u>	<u>\$ 152,592,821</u>	<u>\$ 157,599,848</u>	<u>\$ 157,143,518</u>
Net investment in capital assets					
Restricted					
Unrestricted	\$ 28,212,750	\$ 31,383,715	\$ 40,005,568	\$ 45,669,488	\$ 48,802,267
Total business-type activities net position	<u>24,393,984</u>	<u>24,404,427</u>	<u>20,371,225</u>	<u>19,067,780</u>	<u>19,501,676</u>
Primary government	<u>\$ 52,606,734</u>	<u>\$ 55,788,142</u>	<u>\$ 60,376,793</u>	<u>\$ 64,737,268</u>	<u>\$ 68,303,943</u>
Net investment in capital assets					
Restricted					
Unrestricted	\$ 148,728,712	\$ 159,095,772	\$ 172,961,724	\$ 181,006,350	\$ 183,314,361
Restricted	7,537,331	9,580,610	9,048,505	11,454,390	3,730,312
Total primary government net position	<u>50,529,577</u>	<u>40,383,520</u>	<u>30,959,385</u>	<u>29,876,376</u>	<u>38,402,788</u>
	<u>\$ 206,795,620</u>	<u>\$ 209,059,902</u>	<u>\$ 212,969,614</u>	<u>\$ 222,337,116</u>	<u>\$ 225,447,461</u>

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)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Expenses</b>										
Governmental activities:										
General government	\$ 9,936,639	\$ 9,950,053	\$ 9,887,523	\$ 9,961,376	\$ 9,861,131	\$ 10,990,007	\$ 11,533,702	\$ 11,888,794	\$ 12,130,905	\$ 12,639,867
Public Safety	15,019,980	13,730,593	12,509,201	12,349,948	12,770,224	13,814,914	16,587,168	16,123,500	22,251,172	17,683,197
Highways and streets	9,481,040	9,353,689	8,895,987	9,339,062	9,255,004	8,754,110	9,400,140	9,089,318	9,417,459	7,505,589
Transit						1,275,093	1,404,646	1,432,910	1,533,258	1,505,341
Culture and recreation	3,806,555	3,527,949	3,375,281	3,227,895	2,783,633	3,399,623	4,572,490	9,695,639	10,204,276	10,111,731
Interest on long-term debt	954,645	1,767,155	430,570	654,262	522,917	656,260	439,027	494,732	511,502	350,404
Total governmental activities/expenses	<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>	<u>56,048,572</u>	<u>49,796,129</u>
Business-type activities:										
Water	13,495,124	12,830,137	12,527,851	11,984,829	13,047,373	13,572,677	13,608,931	14,406,074	14,753,418	15,568,288
Stormwater drainage	494,166	486,994	586,006	636,966	983,975	749,038	854,510	917,898	1,115,494	1,190,898
Total business-type activities expenses	<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>	<u>15,868,912</u>	<u>16,759,186</u>
Total primary government expenses	<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>	<u>\$ 71,917,484</u>	<u>\$ 66,555,315</u>
<b>Program Revenues</b>										
Governmental activities:										
Fees, Fines and Charges for Services:										
General government	\$ 2,835,884	\$ 2,261,815	\$ 2,455,182	\$ 3,079,526	\$ 3,740,046	\$ 3,978,117	\$ 3,516,359	\$ 4,096,927	\$ 4,901,504	\$ 5,084,396
Public Safety	83,279	28,785	33,976	33,109	45,346	35,976	29,097	168,808	138,075	128,651
Highways and streets	119,847	137,436	400,977	329,420	1,052,581	546,066	496,098	764,397	1,052,167	1,039,542
Transit						71,078	72,783	88,684	100,052	119,536
Culture and recreation	110,857	119,273	126,290	82,832	169,965	435,354	1,108,734	4,373,693	4,611,576	5,096,804
Operating grants and contributions	5,392,667	4,728,050	4,887,283	5,247,844	5,318,097	4,706,844	5,070,396	5,503,530	4,664,197	4,949,928
Capital grants and contributions	1,781,571	6,514,602	8,980,239	7,107,063	2,920,335	2,919,641	2,456,727	3,602,656	6,749,407	5,529,831
Total governmental activities program revenues	<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>	<u>22,216,978</u>	<u>21,948,688</u>
Business-type activities:										
Charges for services:										
Water	16,098,086	15,136,784	15,119,065	15,817,345	16,732,600	19,286,794	16,088,681	16,739,580	18,158,385	19,455,685
Stormwater Utility	746,655	927,238	888,391	752,212	813,400	759,428	771,594	828,258	1,314,787	1,386,278
Operating grants and contributions								35,000		
Capital grants and contributions	3,697,229	362,273	1,655,307	245,607	48,871	179,675	1,979,037	3,334,372	1,097,285	870,920
Total business-type activities program revenues	<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>	<u>20,570,457</u>	<u>21,712,883</u>
Total primary government program revenues	<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>	<u>\$ 42,787,435</u>	<u>\$ 43,661,571</u>

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Net (Expense)/Revenues</b>										
Governmental activities	\$ (28,874,754)	\$ (24,539,478)	\$ (18,214,615)	\$ (19,652,749)	\$ (21,946,539)	\$ (26,196,931)	\$ (31,186,979)	\$ (30,126,198)	\$ (33,831,594)	\$ (27,847,441)
Business-type activities	6,552,680	3,109,164	4,548,906	4,193,369	3,563,523	5,904,182	4,375,871	5,613,238	4,701,545	4,953,697
Total primary government net expenses	<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>	<u>\$ (29,130,049)</u>	<u>\$ (22,893,744)</u>
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Taxes:										
Sales taxes	\$ 15,376,408	\$ 12,970,865	\$ 11,572,148	\$ 12,799,678	\$ 14,241,065	\$ 15,286,001	\$ 16,132,159	\$ 16,998,464	\$ 19,767,720	\$ 21,664,398
Franchise taxes	506,685	509,285	514,814	525,427	539,477	571,731	582,064	621,546	647,830	656,664
Impact fees*	441,020	584,113								
Unrestricted state revenue sharing	5,886,132	5,086,953	4,520,935	3,461,359	9,048,365	9,636,906	10,413,464	10,549,196	11,177,729	11,577,834
Unrestricted state sales tax revenue sharing	3,134,789	2,891,386	2,569,666	3,204,612						
Unrestricted auto lieu tax revenue sharing	1,655,875	1,484,125	1,318,989	1,479,094						
Investment earnings (loss)	113,995	95,625	39,124	189,606	265,787	255,702	216,175	238,210	68,435	74,542
Special item - Capital asset conveyance					(2,606,804)					
Transfers					2,319	3,178	3,119	3,030	2,942	2,847
Total governmental activities	<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>	<u>31,664,656</u>	<u>33,976,285</u>
Business-type activities:										
Investment earnings (loss)	128,083	72,244	39,745	167,106	5,471	111,816	124,887	204,669	11,995	5,916
Transfers					(2,319)	(3,178)	(3,119)	(3,030)	(2,942)	(2,847)
Total business-type activities	<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>	<u>9,053</u>	<u>3,069</u>
Total primary government	<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>	<u>\$ 31,673,709</u>	<u>\$ 33,979,354</u>
<b>Change in Net Position</b>										
Governmental activities	\$ (1,759,850)	\$ (917,126)	\$ 2,321,061	\$ 2,007,027	\$ (456,330)	\$ (443,413)	\$ (3,839,998)	\$ (1,715,752)	\$ (2,166,938)	\$ 6,128,844
Business-type activities	6,680,763	3,181,408	4,588,651	4,360,475	3,566,675	6,012,820	4,497,639	5,814,877	4,710,598	4,956,766
Total primary government	<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>	<u>\$ 2,543,660</u>	<u>\$ 11,085,610</u>

Source: Town of Oro Valley Finance Department

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

(This page intentionally left blank)

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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund										
Nonspendable	\$	\$	\$	\$	\$	\$	\$ 31,278	\$ 97,269	\$ 130,030	\$ 141,676
Restricted										
Committed										
Assigned			1,769,333	1,608,035	1,608,035	1,608,035	1,553,999	1,441,862	1,441,862	1,441,862
Unassigned			9,237,805	9,793,614	11,529,070	9,925,988	8,566,598	8,985,422	11,831,322	14,384,104
Reserved										
Unreserved	15,940,438	11,904,429								
Total general fund	<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>	<u>\$ 13,403,214</u>	<u>\$ 15,967,642</u>
All Other Governmental Funds										
Nonspendable	\$	\$	\$	\$	\$	\$	\$ 149,348	\$ 127,600	\$ 132,538	\$ 130,202
Restricted			9,128,505	11,454,390	3,730,312	4,555,138	3,599,966	4,031,923	6,006,584	4,424,244
Committed			840,704	622,919	4,166,818	5,343,506	4,637,773	2,617,856	1,829,232	1,594,293
Assigned						1,500,000	1,421,593	1,340,991	1,716,361	2,209,618
Unassigned								(29,198)	(237,769)	(201,765)
Reserved										
Unreserved, reported in:										
Special revenue funds	5,887,082	5,868,523								
Capital projects funds	9,071,398	3,933,044								
Debt service funds	158,816	1,929,635								
Total all other governmental funds	<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>	<u>\$ 9,446,946</u>	<u>\$ 8,156,592</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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Revenues</b>										
Taxes	\$ 15,883,093	\$ 13,480,150	\$ 12,086,962	\$ 13,325,105	\$ 14,780,542	\$ 15,857,732	\$ 16,714,223	\$ 17,620,010	\$ 20,415,550	\$ 22,321,062
Intergovernmental	17,616,213	17,940,749	18,040,619	19,723,086	16,817,756	16,732,631	17,714,991	19,488,066	22,118,633	21,634,143
Fines and forfeitures	413,720	612,031	560,941	895,820	551,962	673,336	221,571	283,470	558,692	529,687
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	2,388,951	2,679,690
Charges for services	1,066,376	965,455	926,135	1,209,814	1,630,238	1,850,181	2,991,826	5,956,058	6,226,578	6,599,847
Contributions and donations	1,000	59	15,000	995	27,229			149,513	150,000	133,928
Special assessments	367,539	368,152	365,811	366,028	365,935	1,462,307	178,078	189,525	175,539	175,854
Impact fees	441,020	584,113	481,619	417,742	988,342	569,338	439,637	795,471	1,348,528	1,346,402
Investment earnings	113,995	95,625	39,124	189,606	265,787	255,702	216,175	238,210	68,435	74,542
Other revenues	233,123	216,030	297,109	460,512	349,326	305,489	141,618	504,796	572,886	576,970
<b>Total revenues</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>\$ 54,023,792</b>	<b>\$ 56,072,125</b>
<b>Expenditures</b>										
General government	\$ 9,586,029	\$ 9,452,778	\$ 9,848,393	\$ 9,212,866	\$ 9,289,771	\$ 10,610,673	\$ 10,862,553	\$ 11,426,687	\$ 11,098,844	\$ 11,998,586
Public safety	14,289,423	12,979,291	11,928,567	11,993,864	12,342,349	13,539,322	15,071,396	15,494,532	15,725,029	16,731,963
Highways and streets	3,848,725	3,475,556	3,288,349	3,191,654	3,513,479	3,710,577	2,602,321	2,754,413	2,993,402	3,092,143
Transit							1,404,646	1,432,910	1,528,654	1,536,294
Culture and recreation	3,416,305	3,157,369	3,031,520	2,954,549	2,468,129	2,445,131	4,078,817	9,097,752	9,433,339	9,399,598
Capital Outlay	11,332,914	3,189,765	7,014,659	6,929,834	11,053,739	5,495,185	8,093,704	7,995,340	9,196,801	10,081,427
Debt Service										
Principal retirement	938,900	3,400,877	3,459,970	3,052,953	571,910	1,867,901	649,840	897,637	1,075,466	1,304,226
Interest and fiscal charges	1,034,061	831,580	470,578	554,274	498,729	472,268	436,010	336,510	314,914	356,661
Payment to bond escrow agent		6,279,112								
Bond Issuance costs		26,550		75,800				104,533	67,959	
<b>Total expenditures</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>	<b>\$ 51,434,408</b>	<b>\$ 54,500,898</b>
Excess of revenues over (under) expenditures	\$ (6,802,348)	\$ (7,422,103)	\$ (5,169,407)	\$ (191,224)	\$ (2,147,042)	\$ 1,682,359	\$ (2,975,231)	\$ (2,399,203)	\$ 2,589,384	\$ 1,571,227
<b>Other Financing Sources (Uses)</b>										
Premium on bonds issued	\$	\$	\$	\$ 113,835	\$	\$	\$	\$	\$	\$
Proceeds from capital lease agreements						212,895		1,043,214		
Issuance of long-term loan payable										
Payment to bond escrow agent								(2,523,121)	(1,171,447)	
Issuance of long-term debt			2,445,000	2,580,000				2,529,250	3,115,556	
Transfers in	1,950,898	10,012,679	860,143	1,003,666	1,704,272	4,115,152	4,326,627	1,872,026	2,953,072	3,342,890
Transfers out	(1,950,898)	(10,012,679)	(795,020)	(1,003,666)	(2,001,953)	(4,111,974)	(4,323,508)	(1,868,996)	(3,250,130)	(3,640,043)
<b>Total other financing sources (uses)</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>\$ 1,647,051</b>	<b>\$ (297,153)</b>
<b>Net change in fund balances</b>	<b>\$ (6,802,348)</b>	<b>\$ (7,422,103)</b>	<b>\$ (2,659,284)</b>	<b>\$ 2,502,611</b>	<b>\$ (2,444,723)</b>	<b>\$ 1,898,432</b>	<b>\$ (2,972,112)</b>	<b>\$ (1,346,830)</b>	<b>\$ 4,236,435</b>	<b>\$ 1,274,074</b>
Debt service as a percentage of noncapital expenditures	5.88%	10.60%	12.36%	11.55%	3.76%	7.30%	3.17%	3.00%	3.32%	3.66%

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>2018</u>			<u>2009</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>
Roche Tissue Diagnostics	1,306	1	7.26%			
Oro Valley Hospital	571	2	3.17%	560	4	3.65%
Amphitheater Public Schools	535	3	2.97%	577	3	3.76%
Town of Oro Valley	311	4	1.73%	416	5	2.71%
Hilton El Conquistador Golf & Tennis Resort	235	5	1.31%	600	2	3.91%
Casa de la luz Hospice	215	6	1.19%			
Splendido at Rancho Vistoso	156	7	0.87%			
Securaplane	164	8	0.91%			
Simpleview	184	9	1.02%			
Walmart Supercenter	119	10	0.66%			
Ventana Medical Systems			0.00%	680	1	4.43%
Fry's Food & Drug Store				220	6	1.43%
Home Depot				150	7	0.98%
Target				135	8	0.88%
Long Realty				125	9	0.81%
Stone Canyon Golf/Golf Club at Vistoso				80	10	0.52%
<b>Total</b>	<b>3,796</b>		<b>21.09%</b>	<b>3,543</b>		<b>23.08%</b>

Source: Town of Oro Valley Department of Economic Development

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

Taxpayer	Business Type	Fiscal Year 2018			Fiscal Year 2009		
		Sales Tax Payments	Rank	Percentage of Total Sales Tax Payments	Sales Tax Payments	Rank	Percentage of Total Sales Tax Payments
Taxpayer A	Utility	\$ 2,042,793	1	9.43%	\$ 759,413	2	5.00%
Taxpayer B	Construction	1,560,619	2	7.20%			
Taxpayer C	Accommodation	1,412,874	3	6.52%	1,236,482	1	8.14%
Taxpayer D	Retail Trade	1,122,708	4	5.18%	517,200	6	
Taxpayer E	Retail Trade	926,250	5	4.28%	543,183	5	3.57%
Taxpayer F	Construction	680,029	6	3.14%			
Taxpayer G	Government	600,551	7	2.77%	422,108	8	2.78%
Taxpayer H	Retail Trade	479,569	8	2.21%			
Taxpayer I	Retail Trade	476,370	9	2.20%	488,700	7	3.22%
Taxpayer J	Construction	436,341	10	2.01%			0.00%
Taxpayer K	Construction				696,401	3	4.58%
Taxpayer L	Construction				672,816	4	4.43%
Taxpayer M	Construction				358,422	9	2.36%
Taxpayer N	Construction				324,965	10	2.14%
Total		<u>\$ 9,738,104</u>		<u>44.95%</u>	<u>\$ 6,019,690</u>		<u>36.20%</u>

Source: Arizona Department of Revenue

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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Construction	\$ 5,143	\$ 2,110	\$ 1,707	\$ 1,738	\$ 2,842	\$ 3,338	\$ 3,199	\$ 2,131	\$ 4,295	\$ 4,653
Manufacturing	230	230	266	258	258	257	141	156	137	140
Transportation, Warehousing, Communications & Utilities	1,632	1,554	1,534	2,450	2,785	2,959	3,068	3,133	3,171	3,384
Wholesale Trade	54	75	93	106	110	103	125	131	136	154
Retail Trade	4,264	4,544	4,720	4,925	5,153	5,243	5,808	6,844	7,086	7,733
Restaurants, Bars & Lodging	2,333	2,283	2,314	2,314	2,164	2,761	2,803	3,295	3,473	3,907
Finance, Insurance & Real Estate	324	381	324	333	335	75	270	443	562	646
Services	322	378	417	456	456	529	599	672	702	840
All Other	896	627	102	103	75	60	115	190	202	206
Cable Franchise	507	509	515	525	540	572	582	622	648	657
<b>Total</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>	<b>\$ 20,412</b>	<b>\$ 22,321</b>
Town sales tax rate*	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.50%	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
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%
2017	2.50%	6.00%	4.00%	4.00%	6.10%
2018	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
2009	\$ 582,236,657	\$ 686,707,506	\$ 6,141,419,229	0
2010	642,601,840	693,924,598	6,140,054,657	0
2011	649,015,575	672,309,638	6,041,904,306	0
2012	618,976,953	629,340,548	5,716,229,517	0
2013	589,160,533	592,761,968	5,461,131,133	0
2014	553,366,744	556,259,856	5,175,406,955	0
2015	556,566,167	560,863,509	5,252,917,489	0
2016	572,696,599	593,299,222	5,616,655,680	0
2017	593,580,247	616,216,705	5,688,443,027	0
2018	612,684,205	633,479,221	6,058,189,523	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, 2018  
(UNAUDITED)

Revenue Source	Actual								Projected	
	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020
Town Sales and Franchise Taxes	\$ 12,086,962	\$ 13,325,106	\$ 14,780,543	\$ 15,857,732	\$ 16,714,223	\$ 17,620,010	\$ 20,415,550	\$ 22,321,148	\$ 21,821,976	\$ 21,975,685
Licenses and Permits	1,059,309	1,185,862	1,813,947	2,116,700	1,605,937	1,915,992	2,313,504	2,679,690	2,184,796	2,429,095
Fines	195,933	200,672	180,875	172,232	148,050	159,154	131,637	131,393	120,000	135,000
State-Shared Sales Tax	3,024,857	3,204,612	3,356,826	3,569,711	3,747,944	3,887,673	3,989,179	4,210,168	4,345,225	4,497,308
State-Shared Income Tax	3,834,911	3,461,359	4,189,186	4,571,196	4,964,635	4,937,719	5,329,864	5,422,693	5,374,593	5,640,597
<b>Total</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>\$ 28,520,548</b>	<b>\$ 32,179,734</b>	<b>\$ 34,765,092</b>	<b>\$ 33,846,591</b>	<b>\$ 34,677,685</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				Percentage of Personal Income	Per Capita
	Capital Leases	Note Payable	Loan Payable	Excise Tax Bonds	Special Assessment Bonds	Revenue Bonds	Capital Leases	Loan Payable	Total Primary Government		
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
2017	716,622	350,000		9,341,559	640,000	30,804,327	40,814	8,284,407	50,177,729	2.69%	1,146
2018	458,744			8,788,954	490,000	28,079,939		7,690,874	45,508,511	2.35%	1,022

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, 2018  
 (UNAUDITED)

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Pima County	\$ 288,182,000	7.44%	\$ 21,454,639
Pima County Community College District	1,328,821	7.44%	98,928
Amphitheater Unified School District No. 10	82,070,000	41.08%	<u>33,714,733</u>
Total Overlapping			55,268,301
Town of Oro Valley	9,737,698	100%	<u>9,737,698</u>
Total Direct			9,737,698
Total direct and overlapping debt			<u><u>\$ 65,005,999</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 2017-18.

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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Debt Limit	\$ 178,543,952	\$ 180,420,396	\$ 174,800,436	\$ 163,628,543	\$ 154,118,112	\$ 144,627,563	\$ 145,824,512	\$ 154,257,798	\$ 160,216,343	\$ 164,704,598
Total net debt applicable to limit										
Legal debt margin	<u>\$ 178,543,952</u>	<u>\$ 180,420,396</u>	<u>\$ 174,800,436</u>	<u>\$ 163,628,543</u>	<u>\$ 154,118,112</u>	<u>\$ 144,627,563</u>	<u>\$ 145,824,512</u>	<u>\$ 154,257,798</u>	<u>\$ 160,216,343</u>	<u>\$ 164,704,598</u>
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Source: Town of Oro Valley Finance Department

TOWN OF ORO VALLEY  
 CALCULATION OF LEGAL DEBT MARGIN  
 JUNE 30, 2018  
 (UNAUDITED)

Net secondary assessed valuation \$ 633,479,221

Water, Sewer, Light, Parks, Open Space and  
 Recreational Facility Bonds

Debt limit - 20% of secondary net assessed valuation \$ 126,695,844

Debt applicable to limit		
General obligation bonds outstanding	\$	
Less amount set aside for repayment of debt	_____	
Net debt applicable to limit		_____

20% legal debt margin \$ 126,695,844

All other general obligation bonds

Debt Limit - 6% of secondary net assessed valuation \$ 38,008,753

Debt applicable to limit		
General obligation bonds outstanding	\$	
Less amount set aside for repayment of debt	_____	
Net debt applicable to limit		_____

All other general obligation bonds debt margin \$ 38,008,753

Total legal debt margin \$ 164,704,598

Source: Pima County Assessor's Office

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

**Water Utility Revenue Bonds**

Fiscal Year	Gross Revenues	Debt Service			Coverage
		Principal	Interest	Total	
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
2017	18,169,402	3,054,060	870,547	3,924,607	4.63
2018	19,455,685	2,607,710	897,871	3,505,581	5.55

**Governmental Revenue Bonds**

Fiscal Year	Gross Revenues	Debt Service			Coverage
		Principal	Interest	Total	
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
2017	31,739,256	334,940	281,475	616,415	51.49
2018	34,262,128	544,290	280,170	824,460	41.56

**Special Assessment**

Fiscal Year	Gross Revenues	Debt Service			Coverage
		Principal	Interest	Total	
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
2017	175,539	140,000	33,203	173,203	1.01
2018	175,854	150,000	26,290	176,290	1.00

Source: Town of Oro Valley Finance Department

TOWN OF ORO VALLEY, ARIZONA  
WATER SYSTEM REVENUES, EXPENSES, DEBT SERVICE AND COVERAGE  
LAST TEN FISCAL YEARS  
(UNAUDITED)

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Revenues:</b>										
Water revenues	\$ 11,424,787	\$ 12,071,031	\$ 12,038,482	\$ 11,578,981	\$ 11,585,181	\$ 12,169,375	\$ 11,280,269	\$ 12,018,429	\$ 12,493,557	\$ 13,586,667
Water connection fees	1,588,084	293,607	244,376	462,762	706,159	1,413,047	591,045	544,852	816,353	816,045
Alternative water connection fees	812,740	475,973	400,988	759,958	1,253,055	2,376,682	1,172,170	1,094,460	1,638,792	1,638,175
Groundwater preservation fees	1,632,549	1,769,142	2,096,093	2,315,277	2,527,524	2,599,718	2,330,231	2,371,100	2,440,045	2,611,075
Other revenues	639,926	527,031	541,299	557,222	660,681	727,972	714,965	710,740	769,638	803,723
Interest income	125,458	70,329	38,445	166,654	110,615	110,615	124,593	203,857	11,020	
<b>Total revenues</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>18,169,405</b>	<b>19,455,685</b>
<b>Expenses:</b>										
Personnel	2,447,642	2,514,595	2,418,118	2,497,865	2,537,150	2,659,895	2,767,143	2,952,249	3,021,915	3,155,109
Operations & maintenance	5,415,423	4,505,751	3,721,167	3,559,807	4,564,894	4,303,230	4,530,436	5,059,998	4,719,579	3,838,409
CAP water costs	185,490	154,575	903,855	636,519	1,093,105	1,499,594	1,570,793	1,952,117	2,892,392	3,523,052
<b>Total expenses</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>	<b>10,633,886</b>	<b>10,516,570</b>
<b>Net water system revenues</b>	<b>8,174,989</b>	<b>8,032,192</b>	<b>8,316,544</b>	<b>9,146,662</b>	<b>8,537,452</b>	<b>10,934,690</b>	<b>7,344,901</b>	<b>6,979,074</b>	<b>7,535,519</b>	<b>8,939,114</b>
<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	311,130	311,000
2009 WIFA Loan			161,554	182,268	186,817	150,471	149,367	149,322	149,275	149,226
2014 WIFA Loan							296,972	361,059	395,534	377,158
2003 Revenue Bonds	2,544,423	2,544,973	2,545,935	2,545,435	980,000					
2003 Refunding Revenue Bonds	648,674	647,374	1,152,546	1,238,996	1,243,058					
2005 Excise Tax Bonds	151,946	152,672	151,744	152,099	151,245	152,565	152,516			
2007 Excise Tax Bonds	1,136,077	1,516,494	791,099	791,203	791,111	790,822	1,255,948	1,197,678	1,245,403	
2012 Refunding Bonds					956,975	1,968,281	1,971,082	1,995,481	1,980,781	1,963,731
2013 Refunding Bonds						1,513,427	1,046,558	1,022,420	1,033,428	1,024,073
2015 Refunding Revenue Obligations								17,116	25,101	150,259
2017 Refunding Revenue Obligations										235,873
<b>Total water supported debt service</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>\$ 5,140,652</b>	<b>\$ 3,975,446</b>
<b>Debt service coverage</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>	<b>1.47</b>	<b>2.25</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
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%
2017	43,781	1,863,394,821	42,562	4.6%
2018	44,517	1,932,614,654	43,413	4.8%

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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
<b>Administration</b>										
Town Clerk	4.69	4.54	4.56	4.56	4.90	4.54	4.44	4.60	4.00	4.60
Town Manager	7.38	7.38	7.38	8.00	7.00	7.00	7.10	7.10	8.10	8.50
Human Resources	3.48	3.48	3.50	3.50	2.00	5.00	5.00	5.00	4.00	4.00
Economic Development	3.00	3.00	3.00	2.00	2.00	3.00	1.00	1.00	1.40	1.40
Finance	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	9.00
Information Systems	8.00	7.00	7.00	7.00	7.30	6.50	6.50	8.00	8.00	7.00
Legal	6.00	6.00	6.00	6.00	6.00	6.00	8.00	8.00	7.00	10.00
<b>Community Development</b>										
Building Safety	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	13.00	16.00
Community Development Admin.	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Planning & Zoning	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	13.00	16.00
<b>Development &amp; Infrastructure Services</b>	26.88	103.63	83.76	81.45	78.84	77.22	73.38	73.10	0.00	0.00
<b>Parks and Recreation</b>	60.78	48.02	49.36	36.20	37.61	27.26	20.62	22.70	27.50	27.60
<b>Cultural Resources</b>	0.00	0.00	0.20	0.00	0.00	1.35	1.30	1.30	0.00	0.00
<b>Library</b>	0.00	0.00	0.00	0.00	0.00	0.00	18.55	18.40	18.50	18.70
<b>Police</b>										
Civilians	30.25	31.25	30.25	30.25	25.93	30.25	30.25	29.70	30.70	33.00
Officers	104.88	101.88	102.88	102.88	101.91	101.44	97.96	95.00	97.90	102.40
<b>Magistrate Court</b>	8.00	8.00	8.00	8.00	8.70	8.00	8.00	9.00	9.00	9.00
<b>Public Works</b>	65.79	0.00	0.00	0.00	0.00	0.00	0.00	0.00	47.70	52.90
<b>Water Utility</b>	39.48	39.48	38.48	37.48	37.00	36.00	36.00	34.00	35.00	36.30
<b>Total</b>	375.61	370.66	351.37	334.32	326.19	320.56	325.10	323.90	331.80	356.40

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>
2009	\$ 7,573,960	\$ 749,019	\$ 1,093,852	\$ 9,007	\$ 349,994	\$ 3,757	\$ 265,413	\$ 1,389,783	\$ 11,434,785
2010	8,040,762	902,432	1,152,529	14,240	222,447	720	354,308	1,383,592	12,071,030
2011	8,043,658	921,825	1,166,921	13,258	92,257	814	130,704	1,669,045	12,038,482
2012	7,761,639	954,472	1,050,602	13,466	120,830	653	115,568	1,561,750	11,578,980
2013	7,752,934	962,824	1,040,793	19,000	196,354	884	135,720	1,507,574	11,616,083
2014	7,881,436	886,712	1,169,067	187,622	283,632	816	121,108	1,638,981	12,169,374
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
2017	8,416,714	814,041	1,170,946	51,373	224,532	8,733	104,880	1,702,338	12,493,557
2018	8,990,121	860,124	1,371,555	61,504	520,324	13,735	103,126	1,666,178	13,586,667

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>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<b>Police</b>										
Burglaries	125	120	100	134	105	75	77	85	71	77
Citations (traffic)	9,256	6,736	5,244	5,084	5,456	4,668	4,486	3,890	3,446	2,992
Investigations	917	732	746	711	681	765	832	824	818	915
Total Arrests	2,478	2,176	1,932	1,716	1,564	1,679	1,721	1,598	1,458	1,786
Thefts	528	567	656	571	563	561	500	586	493	567
<b>Development &amp; Infrastructure Services</b>										
Street resurfacing (miles)	53.4	14.8	13.9	22.4	30.5	73.4	101.0	92.0	89.0	44.0
<b>Parks and Recreation</b>										
Recreation Programs Held Annually	46	40	47	37	35	30	38	52	55	73
Months of Public Pool Operations	10	12	12	12	10	12	12	12	12	12
Parks Maintenance Man-Hours Worked	16,288	16,120	18,680	16,016	17,000	20,000	16,255	15,083	15,463	17,842
<b>Library</b>										
Collection volume	95,750	100,142	100,652	97,364	0	0	0	0	0	0
<b>Water</b>										
New connections	196	68	61	97	213	165	202	176	340	331
Total connections	18,373	18,441	18,502	18,599	18,812	18,977	19,179	19,355	19,588	19,924
<b>Transit</b>										
Total route miles	163,964	138,752	138,333	200,058	353,936	439,512	392,071	529,170	568,657	468,346
Passengers	17,101	15,573	14,873	20,119	32,442	39,196	39,102	45,202	51,131	49,474

Source: Town of Oro Valley Finance Department

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

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

Year	Potable Water						Reclaimed Water
	Base Rate monthly	Tier 1 per 1,000	Tier 2 per 1,000	Tier 3 per 1,000	Tier 4 per 1,000	GPF per 1,000	Base Rate monthly
2009	\$ 13.91	\$ 2.18	\$ 2.95	\$ 3.95	\$ 5.25	\$ 0.55	\$ 13.91
2010	14.19	2.20	2.99	4.03	5.38	0.75	14.19
2011	14.19	2.20	2.99	4.03	5.38	0.75	14.19
2012	14.19	2.20	2.99	4.03	5.38	0.95	14.19
2013	14.19	2.20	2.99	4.03	5.38	0.95	14.19
2014	14.19	2.23	3.01	4.07	5.49	0.95	14.19
2015	14.19	2.27	3.10	4.23	5.76	0.90	14.19
2016	14.19	2.32	3.19	4.40	6.05	0.90	14.19
2017	14.62	2.34	3.25	4.53	6.29	0.90	14.62
2018	16.45	2.34	3.25	4.53	6.29	0.90	14.62

Source: Town of Oro Valley Water Utility

Note: The rate for all reclaimed water is \$2.27 per 1,000 gallons.

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

	<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>2017</u>	<u>2018</u>
<u>Function/Program</u>										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Substations	2	3	3	3	3	3	3	3	3	3
Patrol units	109	108	53	67	66	64	74	77	72	78
Other fleet	0	0	55	42	43	42	45	44	67	65
Development & Infrastructure Services										
Streets (miles)	220.1	214.0	203.8	203.8	205.1	421.0	421.0	421.0	421.0	421.0
Streetlights	93	93	93	93	95	95	95	95	95	95
Traffic signals	16	18	16	17	19	19	19	19	19	22
Parks and recreation										
Acreage	300	374	374	436	436	457	448	448	448	449
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	1	1	1	1
Golf course holes	0	0	0	0	0	0	45	45	45	45
Tennis courts	1	1	1	1	1	1	32	32	32	32
Swimming pools	1	1	1	2	2	2	4	4	4	4
Water										
Wells	22	18	22	22	22	18	20	20	20	19
Storage capacity (MG)	19	19	20	20	20	13	12	12	12	10
Booster capacity	27	26	25	25	25	26	27	27	27	46
Transit										
Transit vans	9	9	5	5	5	9	7	4	4	7
Transit mini buses	0	0	5	10	12	17	19	22	22	21

Source: Town of Oro Valley Finance Department